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ECONOMIC INDICATORS

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High Tech Industry in Hawaii

Economic diversification for the State of Hawaii received a major boost with the announcement of Castle & Cooke's purchase of 20 percent of Intelect Inc., the leading high-tech firm in the state. In addition, Castle & Cooke announced a program of land-cost subsidies for firms locating in their proposed Mililani high-tech park, a venture-capital fund for new high-tech firms, and the hiring of a full-time salesperson to promote high-tech development in Hawaii. This represents a large commitment by a major Hawaiian corporation to high-tech development in Hawaii, and should lend credibility to its economic potential.

In fact, high-tech industries are not new to Hawaii. Currently roughly 142 businesses account for an estimated $200 million in annual revenues and more than 4,000 jobs, approximately 45 percent of it non-military. Firms range in size from one-man software-design companies to firms like the 120-employee Intelect Inc. manufacturing sophisticated air-traffic-control and air-defense systems. Within the past year alone 90 new corporations and partnerships were formed in high-tech related businesses, while 13 large mainland corporations have been identified by the state as considering locations in Hawaii.

The State of Hawaii is also committed to high-tech development through its support of the High Technology Development Corporation designed to promote the development of high-tech facilities by selecting appropriate sites for new businesses, and helping with construction and related costs by issuing special-purpose revenue bonds. The state also supported the formation of the Hawaii International Center for High Technology Research to stimulate high-technology development through research and development. The two organizations will fulfill the important functions of industrial promotion, research, and policy formation and implementation.

The neighbor islands, sensitive to the importance of diversification, because of their greater dependence on sugar and pineapple, have moved aggressively into the high-tech field. The Big Island has succeeded in securing commitments for the relocation of four Taiwanese high-tech firms, while Maui County, with the help of the Maui Economic Development Board is developing a high-tech research park to encourage high-tech firms to locate on Maui.

Clearly, businessmen, investors, and government leaders are proving that high-tech industries can survive and grow in Hawaii. The reasons relate to a number of demonstrated advantages including: (1) a highly productive and technically competent labor force; (2) wage and salary rates lower than many Mainland high-tech locations; (3) a strategic location with respect to transportation and communications between Asia, the United States, and the Pacific Region; (4) a high-quality educational and research support system in the University of Hawaii (at present, most engineering graduate students from the University of Hawaii go to the Mainland because of the lack of suitable employment in Hawaii); and (5) a desirable environment for people to live and work in.

Furthermore, while attention is generally focused on high technology in terms of the manufacture of high-density circuits and microprocessors, and the assembly of items utilizing these components, high-tech activities also include firms that supply inputs to these firms, as well as those that provide related services such as software and hardware marketing, and data-processing services. Considering that a majority of these firms are labor- and knowledge-intensive small businesses, the high-tech industry emerges as an economic factor of potentially major significance in Hawaii's efforts toward industrial diversification and alternative employment. In addition, Hawaii's leadership in marine science renewable energy, tropical bio-technology, and astronomy, suggests that not only can Hawaii compete within certain sectors of the world high-technology marketplace, but can in fact become a leader in certain areas.

Most of the obstacles to high-tech firms developing in Hawaii concern cost-related issues (in terms of time and money), and are political and institutional in nature—that means amenable to modification by committed political action. Such obstacles include: (1) overly complex and time-consuming permit procedures; (2) a shortage of suitably zoned land; (3) overly burdensome tax and employee-compensation policies; and (4) the lack of venture-capital resources in the state. Fortunately, a number of efforts are underway to ameliorate these difficulties including the State Tax Review Commission and the Governor's Committee on Doing Business in Hawaii. Implementation of their recommendations should improve the environment for business in general and high-tech companies in particular. Intergovernmental cooperation in resolving the dispute over land-use permits for the Mililani high-tech park is also important. Considering the enormous stakes involved, which include the creation of 27,400 jobs in the state, an additional $2.1 billion in output of goods and services, and $840 million in income to households over a 14-year period, maximum efforts should be extended to reach an agreeable compromise beneficial to the public interest in terms of jobs and economic activity.

High-tech industry is here. Whether it fulfills its potential as a meaningful response to the need for economic growth and diversification will depend heavily on the success with which the state can implement its stated commitments, and the support of an informed and concerned public. While it is true that Hawaii may not be a "silicone valley," the fact that the high-tech industry has come as far as it has should be clear indication of its potential as a resource in Hawaii's economic future.

FIRST HAWAIIAN BANK
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u. s. economic indicators

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
GENERAL BUSINESS INDICATORS					
COMPOSITE INDEX OF LEADING INDICATORS*	1967 = 100	August	158.1p	−0.1	16.1
GROSS NATIONAL PRODUCT**					
In Current Dollars	bil. $	3rd Qtr	3,354.6p	2.5	8.5
In 1972 Dollars	bil. $	3rd Qtr.	1,551.2p	1.7	4.4
PERSONAL INCOME**	bil. $	August	2,755.2p	0.2	6.5
RETAIL SALES*	mil. $	August	97,602p	−1.4	9.6
BANKING AND CREDIT					
DEBITS TO DEMAND DEPOSITS**	bil. $	July	60,906.4	0.9	14.1
BANK LOANS*	bil. $	August	1,091.0p	0.9	6.1
AVERAGE PRIME RATE CHARGED BY BANKS	percent	Sept.	11.00	1.0	−18.5
CONSUMER INSTALLMENT DEBT*	mil. $	July	359,571	1.4	7.6
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE**	bil. $	June	259.7p	2.6	11.3
CONSTRUCTION COST INDEXES					
Residences	1967 = 100	July	341.6	1.6[1]	5.3
Apts, Hotel, Office Bldgs	1967 = 100	July	350.1	2.7[1]	6.2
EMPLOYMENT					
CIVILIAN EMPLOYMENT*	thous.	August	101,563	0.3	1.9
UNEMPLOYMENT*	thous.	August	10,699	1.0	2.1
UNEMPLOYMENT RATE*	percent	August	9.5	0.0	4.0
PRICES					
CONSUMER PRICE INDEX (All Items)					
Urban Wage Earners and Clerical Workers (Revised)	1967 = 100	August	299.5	0.4	2.4
All Urban Consumers	1967 = 100	August	300.3	0.3	2.6
PRODUCER PRICE INDEXES					
Finished Goods*	1967 = 100	August	286.4p	0.4	1.4
All Commodities	1967 = 100	August	304.9p	0.6	1.6

r = revised.
p = preliminary.
[1] Compared to May, 1983.
**Seasonally adjusted.*
***Seasonally adjusted at annual rates.*

Sources:
General Business Indicators—U.S. Department of Commerce.
Banking and Credit—Board of Governors of the Federal Reserve System.
Construction—U.S. Department of Commerce. The American Appraisal Company.
Employment and Prices—U.S. Department of Labor, Bureau of Labor Statistics.

business activity in hawaii

TOURISM					
OVERNIGHT OR LONGER VISITORS	number	July	414,310p	−0.7	4.1
	number	Jan.-July	2,566,198p	.....	2.6
Westbound	number	July	335,147p	−0.6	6.4
	number	Jan.-July	2,019,473p	.....	4.2
Eastbound	number	July	73,163p	−6.0	−0.4
	number	Jan.-July	546,725p	.....	−2.7
AVERAGE DAILY VISITOR CENSUS[1]	number	May	83,225p	2.5	9.5
AVERAGE LENGTH OF STAY[1]	no. of days	May	9.9	0.0	0.0
MEETINGS ATTENDANCE	number	July	24,084	−32.1	386.5
ORGANIZED GROUP TOURS	number	July	72,257p	−13.2	21.2
NEIGHBOR ISLAND VISITORS[1]					
Maui	number	July	168,287p	4.6	11.5
	number	Jan.-July	1,006,664p	20.1	5.8
Hawaii	number	July	71,992p	−0.8	4.5
	number	Jan.-July	439,684p	19.6	6.8
Kauai	number	July	77,908p	3.6	−2.4
	number	Jan.-July	410,720p	23.4	−12.1
VISITOR ACCOMMODATIONS					
STATE	number	June	58,901	0.2	−0.8
Oahu	number	June	34,378	0.1	−1.1
Waikiki	number	June	30,132	0.1	−0.5
Maui (includes 11 on Lanai)	number	June	12,051	−0.6	2.8
Molokai	number	June	629	0.2	13.3
Hawaii	number	June	7,368	−1.4	3.7
Kauai	number	June	4,475	6.7	−14.1
HOTEL OCCUPANCY					
STATE	percent	August	75.29	2.7	1.7

p = preliminary.
[1] Estimated Westbound.

SUGAR AND PINEAPPLE: THE UNCERTAIN ROAD AHEAD

One of the most significant aspects of Hawaii's recent economic history is the long-term decline of sugar and pineapple as major export industries. Between 1940 and 1980 the total value of sales for sugar and pineapple as a percentage of Gross State Product dropped from 38 percent to 7 percent. Employment in sugar and pineapple also fell from roughly 40 percent of all jobs in the early 1940s to 3 percent in the early 1980s. Nevertheless, sugar and pineapple continue to exert a strong influence on Hawaii's economy, comprising 75 percent of the total value of agricultural production, and 72 percent of all agriculturally-related jobs in Hawaii in 1982. Sugar and pineapple also constitute a critical segment of the economies of the neighbor islands. Hawaii and Kauai continue to have 9 and 14 percent of their labor force in sugar alone, while Maui County has 9 percent of its labor force in pineapple and 6 percent in sugar. Moreover, both industries are in critical periods of transition, adjusting to world and domestic competition, and struggling to establish long-term economic viability. In this issue, both industries are examined in terms of recent trends and prospects for the future.

SUGAR

Sugar is currently in a critical stage of retrenchment after suffering record losses of $90 million in 1981. Increasing world and domestic competition, fluctuating world sugar surpluses and open-market prices, high domestic production costs, and shifting market demands to sugar substitutes has placed Hawaii's sugar industry in an historically unprecedented competitive position. 1982 saw a considerable improvement with industry losses reduced to $1.5 million. But, revenues will still need to improve considerably to re-establish the viability of sugar in Hawaii.

One major factor in the improvement in 1982 was the reduction in production costs. Labor unions accepted wage concessions, while equipment replacement and capital improvements were deferred. In all, methods to improve productivity combined to result in a cost reduction of approximately $30 million.

The other major factor was the improvement in the price of sugar. Late in 1981, Congress included a market stabilization price for sugar in the Agriculture and Food Act of 1981. However, because the world market price for sugar was so low, even the duties and import fees imposed under the law did not result in the price of domestic sugar approaching the stabilization price. Therefore, on May 11, 1982, the President, under statutory authority, imposed numerical quotas on imports of foreign sugar. This did result in the U.S. sugar price approaching the market stabilization target, leading to higher returns to producers in 1982. This did not occur, however, until after the sugar industry sustained one of the greatest losses in its history in 1981. These relationships are shown in Figure 1, where it can be seen that the drop in

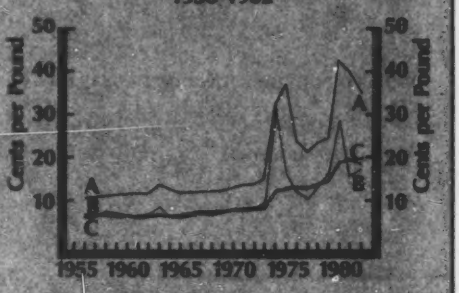
business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
HOTEL OCCUPANCY (continued)					
Oahu	percent	August	79.79	−1.6	−1.5
Maui	percent	August	83.12	13.1	7.1
Hawaii	percent	August	49.88	10.5	0.1
Kauai	percent	August	66.81	4.4	9.1
DEFENSE EXPENDITURES					
APPROPRIATED FUNDS TOTAL	mil. $	2nd Qtr.	471.4p*	−2.3	14.9
Military Payroll	mil. $	2nd Qtr.	187.6p*	1.6	10.2
Civilian Payroll	mil. $	2nd Qtr.	143.5p*	9.2	16.6
Local Purchases	mil. $	2nd Qtr.	140.3p*	−15.6	19.9
SUGAR					
SUGAR PRODUCTION	thous. tons	Jan.-Aug.	754	.....	26.1
N. Y. RAW SUGAR PRICE	$/ton	August	450.87	1.9	0.4
PINEAPPLE SHIPMENTS					
CANNED[2]	mil. $	Jan.-July	89.0	.....	−4.4
FRESH	thous. lbs.	Jan.-Sept.	184,099	.....	−8.9
DIVERSIFIED AGRICULTURE					
CROPS					
Flowers & Nursery Products					
(wholesale)	thous. $	1982	30,559	.....	3.7
Anthurium Outshipments	th. dozens	Jan.-Aug.	1,019.4	.....	−4.9
Potted Foliage[3]	thous. $	1982	8,820	.....	21.4
Other[4]	thous. $	1982	16,106	.....	−4.8
Fruits & Nuts	thous. $	1982	41,982	.....	0.0
Papaya Sales	th. lbs.	Jan.-Aug.	28,690	.....	−3.6
Average Farm Price	cents/lb.	August	22.0	12.8	−13.0
Macadamia Nut Sales (in shell)	th. lbs.	1982	36,720	.....	10.1
Average Farm Price	cents/lb.	1982	73.9	.....	−6.8
Other[5]	thous. $	1982	3,362	.....	8.4
Vegetable and Melon Production[6]	th. lbs.	Jan.-Aug.	46,822	.....	26.4
Other Crop Sales[7]	thous. $	1982	8,453	.....	−23.0
LIVESTOCK					
Beef Production (dressed wt.)	th. lbs.	Jan.-Aug.	21,347	.....	17.0
Average Farm Price (feedlot beef)	cents/lb.	August	97.0	−5.4	−8.9
Hog Production (dressed wt.)	th. lbs.	Jan.-Aug.	4,004	.....	0.8
Average Farm Price	cents/lb.	August	99.5	−2.0	−0.5
Milk Production	mil. lbs.	Jan.-Aug.	100.6	.....	2.8
Average Price Sold to Plants	$/100 lbs.	August	19.04p	2.6	−7.5
Egg Production	mil.	Jan.-Aug.	131.7	.....	−3.3
Average Farm Price	cents/doz.	August	83.0	−0.6	−5.1
Other Livestock Sales[8]	thous. $	1982	5,814	.....	−1.3
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE	mil. $	Jan.-Aug.	807.4	.....	−1.6
PRIVATE PERMITS AUTHORIZED					
RESIDENTIAL					
STATE	thous. $	Jan.-Aug.	251,193	.....	20.0
C&C of Honolulu	thous. $	Jan.-Aug.	143,506	.....	26.5
Maui County	thous. $	Jan.-Aug.	27,685	.....	2.4
Hawaii County	thous. $	Jan.-Aug.	35,030	.....	−26.8
Kauai County	thous. $	Jan.-Aug.	44,972	.....	113.3
SINGLE FAMILY UNITS					
STATE	number	Jan.-Aug.	2,375	.....	69.0
C&C of Honolulu	number	Jan.-Aug.	1,240	.....	286.3
Maui County	number	Jan.-Aug.	381	.....	2.1
Hawaii County	number	Jan.-Aug.	577	.....	6.7
Kauai County	number	Jan.-Aug.	177	.....	4.1
MULTIPLE FAMILY UNITS					
STATE	number	Jan.-Aug.	1,272	.....	−33.5
C&C of Honolulu	number	Jan.-Aug.	1,188	.....	−19.6
Maui County	number	Jan.-Aug.	20	.....	−83.6
Hawaii County	number	Jan.-Aug.	51	.....	−73.9
Kauai County	number	Jan.-Aug.	13	.....	−89.0
NONRESIDENTIAL					
STATE	thous. $	Jan.-Aug.	156,056	.....	−20.3
C&C of Honolulu	thous. $	Jan.-Aug.	100,811	.....	−38.4
Maui County	thous. $	Jan.-Aug.	10,269	.....	0.5
Hawaii County	thous. $	Jan.-Aug.	21,814	.....	147.1
Kauai County	thous. $	Jan.-Aug.	23,163	.....	76.3
PUBLIC CONTRACTS AWARDED					
TOTAL GOVERNMENT PROJECTS	thous. $	Jan.-Sept.	210,557	.....	−29.6
BY LEVEL OF GOVERNMENT					

p = *preliminary.*
* *Coast Guard figures not included.*
[2] *Gross taxable income valued at time of shipment.*
[3] *Potted foliage grown for indoor or patio use.*
[4] *Includes cut flowers, cut orchids, lei flowers, cut foliage, other potted plants, unfinished flower and foliage stock, and other nursery products.*
[5] *Includes avocadoes, bananas, guavas, oranges, passion fruit, and tangerines.*
[6] *Includes snap beans, cabbage, celery, sweet corn, cucumbers, lettuce, onions, green peppers, tomatoes, and watermelons.*
[7] *Includes coffee, taro, feed and forage crops, and forest products.*
[8] *Includes broilers and chickens, turkeys, sheep, wool, horses, honey, and beeswax.*

the retail price of sugar after 1980 was responsible for the returns to Hawaii producers falling below the costs of production in 1981. The gradual improvement in returns to owners and reductions in production costs in 1982 are also shown.

FIGURE 1
U.S. AVERAGE ANNUAL RETAIL PRICE SUGAR, HAWAII AVERAGE COST OF PRODUCTION, AND RETURNS TO PRODUCERS: 1956-1982

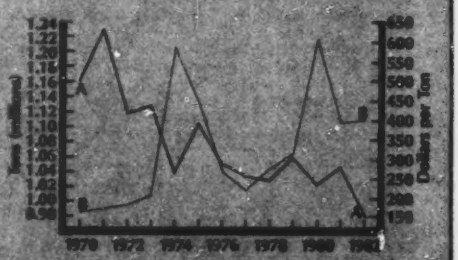


A. Retail Price of Sugar
B. Hawaii, Returns to Producers
C. Hawaii, Cost of Production

Source: Hawaii Sugar Planters Association

The importance of these improvements in production costs and prices is heightened when it is realized that, in fact, sugar production in 1982 dropped to 980,000 tons, which was a 21-year low point. The problem was mainly weather. Excessive rain early in the year slowed ripening of the crop, and muddy conditions delayed harvesting operations. Harvesting of some fields for 1982 was postponed until 1983. Major damage was also sustained by sugar mills and other structures causing further processing delays. Furthermore, looking at long-run sugar production and price trends as shown in Figure 2, production has in fact been going through a prolonged period of decline. Ironically, in 1980 when sugar profits were at an historical high due to a world sugar shortage, domestic production levels were at an historical low. Also, in 1981 when sugar sustained its greatest losses, production was 2.4 percent higher than in 1980.

FIGURE 2
TOTAL ANNUAL SUGAR PRODUCTION, AND AVERAGE ANNUAL NEW YORK RAW SUGAR PRICE: 1970-1982



A. Total Annual Sugar Production (left-hand scale)
B. Average Annual New York Raw Sugar Price (right-hand scale)

Source: Hawaii Sugar Planters Association

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
PUBLIC CONTRACTS AWARDED (continued)					
FEDERAL	thous. $	Jan.-Sept.	35,323	.....	−66.5
STATE	thous. $	Jan.-Sept.	114,605	.....	−21.6
COUNTY	thous. $	Jan.-Sept.	60,629	.....	27.9
BY LOCATION OF PROJECT					
C&C of Honolulu	thous. $	Jan.-Sept.	164,128	.....	−25.5
Maui County	thous. $	Jan.-Sept.	25,523	.....	−28.7
Hawaii County	thous. $	Jan.-Sept.	15,259	.....	−20.9
Kauai County	thous. $	Jan.-Sept.	5,647	.....	−76.3
HONOLULU CONSTRUCTION COST INDEXES					
SINGLE FAMILY	1967 = 100	September	338.2	0.6	9.0
HIGH-RISE	1967 = 100	September	355.4	0.5	4.8
REAL ESTATE					
OAHU: New Sales					
Single Family	number	Jan.-Aug.	711	.....	51.9
Condominium	number	Jan.-Aug.	1,592	.....	136.9
Resales					
Single Family	number	Jan.-Aug.	1,151	.....	23.6
Average Price	dollars	Jan.-Aug.	182,616	.....	8.2
Condominium	number	Jan.-Aug.	1,567	.....	25.4
Average Price	dollars	Jan.-Aug.	103,212	.....	−0.2
MAUI: Resales					
Single Family	number	Jan.-Aug.	132	.....	73.7
Average Price	dollars	Jan.-Aug.	161,072	.....	29.1
Condominium	number	Jan.-Aug.	283	.....	91.2
Average Price	dollars	Jan.-Aug.	152,275	.....	−1.9
HAWAII: Resales					
Single Family	number	Jan.-Aug.	228	.....	30.3
Average Price	dollars	Jan.-Aug.	93,700	.....	−5.9
Condominium	number	Jan.-Aug.	66	.....	100.0
Average Price	dollars	Jan.-Aug.	110,940	.....	−4.4
KAUAI: Resales					
Single Family	number	Jan.-Aug.	37	.....	37.0
Average Price	dollars	Jan.-Aug.	119,983	.....	7.4
Condominium	number	Jan.-Aug.	16	.....	−23.8
Average Price	dollars	Jan.-Aug.	161,530	.....	−1.4
BUSINESS SALES					
GROSS BUSINESS RECEIPTS	mil. $	Jan.-July	12,780.4	.....	4.3
DIVERSIFIED MANUFACTURING	mil. $	Jan.-July	289.8	.....	−17.3
DIVERSIFIED AGRICULTURE	mil. $	Jan.-July	134.0	.....	23.9
RETAILING	mil. $	Jan.-July	4,585.9	.....	2.4
WHOLESALING	mil. $	Jan.-July	3,167.5	.....	7.2
SERVICES	mil. $	Jan.-July	2,897.5	.....	7.2
OAHU NEW CAR SALES	number	June	4,090	116.4	13.2
PUBLIC UTILITIES					
ELECTRICITY GENERATED	mil. kwh.	August	605.0	3.9	0.5
GAS SALES	th. therms.	August	3,865	−2.2	−0.6
TELEPHONE LINES IN SERVICE	thous.	August	451.3	0.1	27.5
HONOLULU PRICES					
HONOLULU CONSUMER PRICE INDEX					
Urban Wage Earners and Clerical Workers (Revised), All Items	1967 = 100	August	278.2	1.8[9]	3.2
All Urban Consumers, All Items	1967 = 100	August	273.5	0.8[9]	1.5

[9]*Compared to June, 1983.*

Sources:
Tourism—Hawaii Visitors Bureau. Pannell, Kerr, Forster.
Defense—Reports from various branches of the armed forces.
Sugar—Hawaiian Sugar Planters' Association.
Pineapple—Hawaii State Department of Taxation. Hawaii State Department of Agriculture.
Diversified Agriculture—Hawaii State Department of Agriculture.
Construction—Hawaii State Department of Taxation. Honolulu County Building Department. Hawaii, Kauai, and Maui County departments of public works.
Real Estate—Monitor Hawaii, Inc. Locations Inc., First Hawaiian Bank, Research Department.
Business Sales—Hawaii State Department of Taxation. Cardinal Mailing Services, Ltd.
Public Utilities—Hawaiian Electric Company, Inc. Citizens Utilities Company. Molokai Electric Co., Ltd. Gasco, Inc. Hawaiian Telephone Company.
Honolulu Prices—U.S. Department of Labor, Bureau of Labor Statistics.

Recent trends through the first eight months of 1983 appear optimistic. Production levels in August stood at 753,879 tons, which is 26 percent ahead of production in 1982. In the meantime, cumulative price averages through June of 1983 stood at 22.1 cents a pound, or 19 percent ahead of 1982. Thus, indications are that 1983 will see an improvement in returns to producers.

The long-run picture appears more ambiguous. According to Henry Walker of Amfac Inc., the sugar industry in Hawaii is shrinking, cutting back on the work force and eliminating high-cost plantation areas. The result in about a decade will be a stable but smaller industry, producing 700,000 to 800,000 tons a year compared with today's production of about a million tons a year. But, industrial stability at lower levels of output can only occur through: (1) further reductions in costs of production; (2) increasing productivity in terms of average tons of sugar per acre; or (3) increasing the price of sugar received in U.S. markets. The likelihood of receiving a price for sugar significantly higher than the costs of production is low given the continuing glut of world sugar, and increasing competition from domestically produced high fructose corn syrup. While research is continuing on various ways of improving productivity, including the use of robotics, the probability of qualitative transformations in the production process are also low. The only options that appear feasible are those already being pursued: reductions in marginal land, labor, and facilities to bring production costs down relative to prices; and continuing vigilance to insure long-term stability in the domestic price of sugar. Given the uncertain status of sugar with respect to the maintenance of current tariffs, quotas, and support prices, the continuing anti-protectionist sentiment of large industrial sugar users, and the uneasy relationship between labor and management because of the economic uncertainties ahead, the importance of mutual cooperation between labor, management, and government will be paramount in ensuring the continued long-term viability of sugar in Hawaii. It is clear, however, that sugar will be showing a much lower profile in the Hawaiian economy in the years to come. This will be especially important for the islands of Hawaii and Kauai where large segments of the labor force continue to be employed in sugar.

PINEAPPLE

Increasing world competition, oversupplies of pineapple, and high domestic production costs continue to extract a heavy price on Hawaii's pineapple industry. The

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population and personal income in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
POPULATION					
DE FACTO—STATE	thous.	July 1, 1982	1,084p	.....	1.9
TOTAL RESIDENT—STATE	thous.	July 1, 1982	994p	.....	1.5
C&C of Honolulu	thous.	July 1, 1982	775p	.....	1.0
Maui County	thous.	July 1, 1982	80p	.....	5.6
Hawaii County	thous.	July 1, 1982	98p	.....	2.3
Kauai County	thous.	July 1, 1982	41p	.....	2.2
CIVILIAN RESIDENT—STATE	thous.	July 1, 1982	939p	.....	1.8
MILITARY PERSONNEL—STATE	number	July 1, 1982	61,107	.....	−0.7
Ashore	number	July 1, 1982	54,184	.....	17.1
Afloat	number	July 1, 1982	6,923	.....	−54.7
CIVILIAN DEPENDENTS OF MILITARY	number	July 1, 1982	66,709	.....	3.7
FOREIGN IMMIGRATION[1]	number	12 mo. total for period ending 9/83	5,238	.....	−24.0
PERSONAL INCOME					
TOTAL PERSONAL INCOME**	mil. $	1st Qtr. 1983	11,967	2.2	6.5
Employment Income[2]	mil. $	1st Qtr. 1983	8,767	0.5	6.2
Manufacturing	mil. $	1st Qtr. 1983	442	−1.6	5.7
Construction & Mining[3]	mil. $	1st Qtr. 1983	482	−0.6	−1.0
Wholesale	mil. $	1st Qtr. 1983	379	1.1	4.7
Retail	mil. $	1st Qtr. 1983	994	1.5	5.1
Finance, Ins. & Real Estate	mil. $	1st Qtr. 1983	597	3.1	11.4
Trans., Comm., & Util.	mil. $	1st Qtr. 1983	783	−2.1	5.2
Services	mil. $	1st Qtr. 1983	1,922	1.0	7.7
Farm & Other	mil. $	1st Qtr. 1983	290	−4.6	7.4
Federal Civilian	mil. $	1st Qtr. 1983	785	1.3	7.7
Federal Military	mil. $	1st Qtr. 1983	1,024	−0.5	2.6
State & Local	mil. $	1st Qtr. 1983	1,067	2.0	8.8
Property Income (Dividends, Interest, Rent)	mil. $	1st Qtr. 1983	2,176	10.6	5.7
Transfer Payments (1,614) minus Personal Contributions For Social Ins. (591)	mil. $	1st Qtr. 1983	1,023	0.6	11.2
PER CAPITA PERSONAL INCOME					
STATE PER CAPITA	dollars	1982	11,602	.....	5.2
PER CAPITA BY COUNTY					
C&C of Honolulu	dollars	1981	11,553	.....	9.0
Maui County	dollars	1981	9,702	.....	7.2
Hawaii County	dollars	1981	8,728	.....	5.0
Kauai County	dollars	1981	9,132	.....	7.2

p = preliminary.

***Total personal income and all components are seasonally adjusted at annual rates.*

[1]These immigration statistics include only those entering Honolulu ports and do not include status changes.

[2]Includes wage and salary disbursements, proprietors' income, and other labor income.

[3]Income from mining not shown separately to avoid disclosure of confidential information.

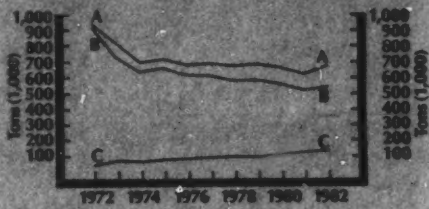
Sources:

Population—Hawaii State Department of Planning and Economic Development, U.S. Bureau of the Census, U.S. Immigration and Naturalization Service.

Personal Income—U.S. Department of Commerce, Bureau of Economic Analysis.

closing of pineapple operations on Molokai and the Del Monte cannery at Iwilei are but symptoms of a larger process of secular decline. In the ten years between 1972 and 1982, total acreage used for crop fell 38 percent from 58,000 to 36,000 acres. Also, as shown in Figure 3, total production fell 29 percent during the same period from 947,000 tons to 670,000 tons. Of this total, processed pineapple fell 40 percent, while fresh pineapple production increased 212 percent. As of 1982, however, fresh pineapple still comprised only 19 percent of total pineapple produced.

FIGURE 3
PROCESSED, FRESH, AND TOTAL PINEAPPLE PRODUCTION: 1972-1982

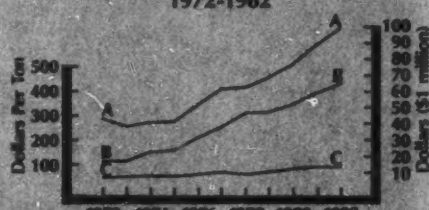


A. Total Pineapple Production
B. Processed Pineapple
C. Fresh Pineapple

Source: Hawaii Agricultural Reporting Service

However, prices remained strong between 1972 and 1982. As shown in Figure 4, wholesale prices for processed pineapple increased 90 percent, while prices for fresh pineapples increased 258 percent. This was sufficient to account for an all-time high farm value of production of $90.5 million in 1982 which represented a 127 percent increase over 1972. Because of the high price of fresh relative to processed pineapple, the wholesale value of fresh rose from 11 percent of the total in 1972 to 55 percent in 1982.

FIGURE 4
TOTAL FARM VALUE OF PRODUCTION, FARM PRICE FOR FRESH PINEAPPLE, AND FARM PRICE FOR PROCESSED PINEAPPLE: 1972-1982



A. Total Farm Value of Production (right-hand scale)
B. Farm Price for Fresh Pineapple (left-hand scale)
C. Farm Price for Processed Pineapple (left-hand scale)

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employment and unemployment in hawaii

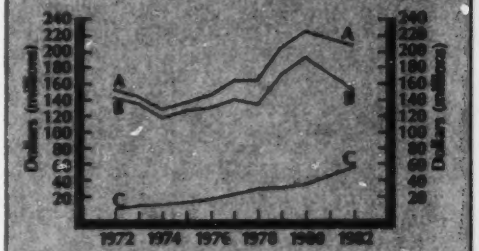
Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
EMPLOYMENT IN STATE AND COUNTIES (number of persons)					
STATE					
Civilian Labor Force	thous.	August	469.0p	−0.2	1.1
Employment	thous.	August	438.3p	0.4	1.3
Unemployment	thous.	August	30.7p	−7.5	−0.8
Unemployment Rate	percent	August	6.5p	−8.5	−3.0
C & C OF HONOLULU					
Civilian Labor Force	thous.	August	358.1p	−0.1	1.4
Employment	thous.	August	337.0p	0.3	1.6
Unemployment	thous.	August	21.1p	−6.0	−1.4
Unemployment Rate	percent	August	5.9p	−6.4	−3.3
MAUI COUNTY					
Civilian Labor Force	thous.	August	44.1p	−0.7	0.7
Employment	thous.	August	40.7p	0.0	0.3
Unemployment	thous.	August	3.4p	−8.4	4.7
Unemployment Rate	percent	August	7.7p	−8.3	4.0
HAWAII COUNTY					
Civilian Labor Force	thous.	August	45.5p	−0.8	0.1
Employment	thous.	August	41.0p	0.6	0.4
Unemployment	thous.	August	4.5p	−11.6	2.7
Unemployment Rate	percent	August	9.8p	−11.7	3.0
KAUAI COUNTY					
Civilian Labor Force	thous.	August	21.3p	1.2	0.6
Employment	thous.	August	19.7p	2.4	−0.9
Unemployment	thous.	August	1.6p	−11.8	3.0
Unemployment Rate	percent	August	7.7p	−13.5	2.7
JOB COUNT BY INDUSTRY					
TOTAL JOBS—STATE	thous.	August	444.3p	−0.4	−0.8
SUGAR (mill and field)	thous.	August	8.5p	−0.7	−1.2
PINEAPPLE (cannery and field)	thous.	August	7.5p	−0.5	−9.1
DIVERSIFIED MANUFACTURING (excluding sugar and pineapple)	thous.	August	15.4p	0.5	−3.0
Durable Goods	thous.	August	3.6p	−1.6	−10.5
Non-Durable Goods	thous.	August	12.1p	1.1	−0.6
Apparel and Textiles	thous.	August	2.6p	−1.9	−8.1
DIVERSIFIED AGRICULTURE (excluding sugar and pineapple, but including agricultural self-employed)	thous.	August	8.0p	−1.0	−3.1
CONTRACT CONSTRUCTION	thous.	August	16.6p	−0.5	−6.5
TRANSPORTATION	thous.	August	20.6p	−0.4	−6.4
COMMUNICATION	thous.	August	7.2p	−0.4	−2.7
UTILITIES	thous.	August	2.4p	0.1	−5.8
RETAIL TRADE	thous.	August	88.1p	−0.1	0.5
WHOLESALE TRADE	thous.	August	19.2p	−0.9	1.6
FINANCE, INSURANCE AND REAL ESTATE	thous.	August	31.8p	−0.1	0.0
HOTEL SERVICES—STATE	thous.	August	25.6p	−1.6	−2.3
Honolulu County	thous.	August	14.3p	−2.5	−2.5
Maui County	thous.	August	6.3p	0.2	0.7
Hawaii County	thous.	August	2.9p	−4.5	−5.4
Kauai County	thous.	August	2.1p	3.8	−5.3
OTHER SERVICES	thous.	August	74.2p	−0.8	−0.1
FEDERAL GOVERNMENT	thous.	August	32.1p	−0.6	0.4
Civilian Agencies	thous.	August	11.3p	0.1	−0.5
Defense Department	thous.	August	20.8p	−1.0	0.9
STATE GOVERNMENT	thous.	August	41.9p	−0.6	1.9
COUNTY GOVERNMENT	thous.	August	17.1p	1.4	3.7
UNEMPLOYMENT INSURANCE CLAIMS AND PAYMENTS					
INSURED UNEMPLOYMENT (weekly average)	number	August	16,794	12.8	18.3
INTRASTATE INITIAL CLAIMS	number	August	5,822	−1.5	−1.3
INTERSTATE INITIAL CLAIMS	number	August	386	34.0	−12.1
UNEMPLOYMENT INSURANCE BENEFITS	thous. $	August	7,207	15.3	7.3

p = *preliminary.*

Sources:
Employment, Job Count, and Unemployment Insurance—Hawaii State Department of Labor and Industrial Relations.

Retail prices for processed and fresh pineapple also remained strong between 1972 and 1981. Inspite of reductions in the production of canned fruit, canned juice, and frozen concentrate of 38, 15, and 66 percent respectively, average unit prices **increased** during that period by 81 percent. As shown in Figure 5, this resulted in an increase in retail revenues from processed pineapple of 8 percent between 1972 and 1982; not, however, until passing an historic high point of $192 million in 1980. Sales of fresh pineapple, on the other hand, exhibited a fairly constant rate of increase, growing from $4.9 million in 1972 to $55 million in 1982 for an overall increase of 1022 percent. As of 1982, the retail value of fresh pineapple stood at 27 percent of total retail value of sales.

FIGURE 5
TOTAL RETAIL VALUE OF PRODUCTION, TOTAL RETAIL VALUE OF PROCESSED PINEAPPLE, AND FRESH PINEAPPLE SALES: 1972-1982



A. Total Retail Value of Production
B. Total Retail Value of Processed Pineapple:
1. Canned Fruit
2. Canned Juice
3. Frozen Concentrate
C. Total Retail Value of Fresh Pineapple Sales
Source: Hawaii Agricultural Reporting Service.

Overall output is declining in 1983. As of the second quarter, sales of processed pineapple fell 12 percent from 1982. Fresh pineapple was also down by 9 percent. While some of this is attributable to cutbacks in canning operations, unseasonably heavy rains in the first quarter of 1982 took a heavy toll on the 1983 crop, delaying planting for three to four months, and damaging existing crops. Because pineapple is now grown on a 16 to 18 month cycle, plantings that would have been harvested through the second and third quarters of 1983 were postponed, leading to temporary production shortfalls. Prices, however, remained strong through the second quarter, moving in the 22 to 25 cents a pound range for fresh wholesale pineapple, representing a 4 to 17 percent increase over 1982. Thus, while production was running below 1982, returns to the industry will ultimately depend on the behavior of prices.

The historic pattern of output and price relationships for processed pineapple has been that of a sustained reduction in output accompanied by increased prices. This has resulted in a net increase in revenues to the industry over time. On the other hand, increases in the volume of fresh pineapple output have been moderate enough to capture increasingly larger market shares while not creating oversupplies and reductions in average price. The increase in the price of fresh

public assistance in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
PUBLIC ASSISTANCE					
RECIPIENTS[1]					
Income Maintenance	no./persons	July	63,845	−0.8	−1.9
Services	no./cases	2nd Qtr.	6,508	−3.3	−3.1
Medical	no./patients	August	50,572	1.1	7.9
Food Stamps	no./persons	July	100,057	−0.2	2.8
PAYMENTS					
Income Maintenance	thous. $	July	8,915	−0.5	−1.8
Services	thous. $	2nd Qtr.		5.9	8.7
Medical	thous. $	August	14,370	14.0	23.8
Food Stamps	thous. $	July	6,515	−0.3	14.9

[1]Count of recipients is duplicated. A person may be counted in each category.

Sources:
Public Assistance—Hawaii State Department of Social Services and Housing.

banking and finance in hawaii

FINANCE					
COMMERCIAL BANKS					
Total Deposits					
STATE	mil. $	August	5,598.9	−0.6	12.6
Honolulu County	mil. $	August	4,600.2	−1.6	11.7
Maui County	mil. $	August	357.0	2.2	13.8
Hawaii County	mil. $	August	424.2	5.3	17.4
Kauai County	mil. $	August	217.5	4.3	23.0
Debits to Demand Deposits					
STATE	mil. $	August	7,742.3	12.2	−0.8
Honolulu County	mil. $	August	7,120.9	12.4	−0.7
Maui County	mil. $	August	268.4	22.7	−2.0
Hawaii County	mil. $	August	241.8	6.6	−3.4
Kauai County	mil. $	August	111.2	−3.5	3.8
Loans Outstanding	mil. $	2nd Qtr.	3,685	2.6	3.7
Real estate	mil. $	2nd Qtr.	1,649	2.9	6.0
Consumer	mil. $	2nd Qtr.	796	0.5	−0.3
Commercial & Industrial	mil. $	2nd Qtr.	1,104	4.0	6.8
Other	mil. $	2nd Qtr.	137	0.8	−17.1
SAVINGS & LOAN ASSOCIATIONS					
Total Deposits	bil. $	July	3.48	−0.3	6.8
Loans	mil. $	August	27.7	−58.8	9.2
Residential	mil. $	August	12.0	−27.3	−16.8
Other	mil. $	August	15.7	−69.0	4.1
STATE TAX COLLECTIONS[1]					
TAX COLLECTIONS—STATE	thous. $	Jan.-Aug.	829,045	.....	12.2
Honolulu County	thous. $	Jan.-Aug.	726,362	.....	9.7
Maui County	thous. $	Jan.-Aug.	44,706	.....	36.9
Hawaii County	thous. $	Jan.-Aug.	41,960	.....	34.2
Kauai County	thous. $	Jan.-Aug.	16,016	.....	24.2

[1]Excludes property taxes which were formerly collected by the State but are now collected by the Counties.

Sources:
Finance—Hawaii State Department of Regulatory Agencies. Federal Deposit Insurance Corporation reports. Federal Home Loan Bank of Seattle.
State Tax Collections—Hawaii State Department of Taxation.

pineapple over the years is evidence of the success of the fresh pineapple marketing strategy.

Future prospects for pineapple will most likely entail further reductions in processed pineapple, and increased production of fresh pineapples. As opposed to sugar, the pineapple market is less controlled and highly competitive. One reason is that a significant share of overseas pineapple imported into the U.S. is grown by domestic producers. While allowing growers to subsidize more expensive domestic pineapple with cheaper foreign pineapple, this also rules out tariff and quota policies as a means of price stabilization. Also, pineapple is highly price elastic, subject to strong competition by other fruits, as well as dessert foods. This limits the degree of price variation that pineapple can sustain relative to other competitive foods.

For the present, important issues include the banning of EDB, and stimulating more government support on cost-related issues such as product promotion, taxes, minimum wages, and import quality controls. However, the basic problem remains that of Hawaii's higher cost of production. This means that domestic production will always be subsidized by domestically-owned foreign production, and therefore remain limited in scale. In the meantime, fresh pineapple is actually only competitive in west-coast markets due to transport costs and strong competition from Caribbean-based pineapple production, which supplies the gulf and east-coast areas. Thus, production and marketing constraints for both processed and fresh pineapple dictate that, while pineapple can and will remain in Hawaii, the industry will be considerably reduced in size and its capacity to contribute to employment and economic growth in Hawaii.

CONCLUSION

The fundamental condition dictating the future of sugar and pineapple in Hawaii is international and domestic competition. The entry of foreign producers into the market, international diffusion of technology, and increasing domestic product competition have resulted in reducing the relative market shares for Hawaiian sugar and pineapple and displacing what was once Hawaii's dominance in the sugar and pineapple industries. Thus, while sugar and pineapple will continue to remain in Hawaii to service those segments of the market in which they remain competitive, their overall presence in the Hawaiian economy will be substantially diminished over time. While it is important to protect those market areas in which Hawaiian production remains competitive, and thereby protect important jobs and economic activity, it is also important to recognize the fundamental shifts in markets resulting from the shifting geographic distribution of technology and labor. The future cannot only be an extension of the past. Losses in noncompetitive sectors must be offset by gains in other sectors. Future economic development for Hawaii needs to recognize these realities, and creatively seek other forms of comparative advantage while not trying to wind the clock backwards.

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REAL INTEREST RATES AND NATIONAL ECONOMIC RECOVERY

Adapted from Remarks Made by DR. PAUL A. SAMUELSON
at the Business Outlook Forum October 4, 1983

Inspite of encouraging news concerning the recovery of the U.S. economy, there is much discussion whether the recovery will be short-lived due to currently high real interest rates, and the prospect of their increase as the economy revives.

The **real** rate of interest is the market, or nominal rate of interest, minus the inflation rate. Current real rates are high by historical standards. Federal deficits of the kind now being experienced worsen the situation, not only because of their tendency to crowd out private investment expenditures, but because of their contribution to stronger aggregate demand due to business and personal tax cuts and increased defense expenditures.

Another factor is the low rate of savings in the U.S. economy. The phenomenal postwar economic recovery of West Germany and Japan were in fact fueled by deficit financing of magnitudes far surpassing that of the U.S. However, the critical difference was that their savings rates were much higher: 23 percent in Japan, and 18 percent in West Germany. The current rate of savings in the U.S. is 6 percent. Savings represent the resources available to finance the capital formation necessary to expand the productive base and future growth in output. Americans, perhaps because of their affluence, have a very low rate of private thriftiness.

Another factor is the strength of the American dollar. When the dollar is strong, exports and tourism suffer because the dollar is expensive relative to other foreign currencies. That also attracts foreign investment capital, which in turn bids up the price of the dollar further, increasing the real rate of interest even more.

One cause for this high real rate of interest is the fight against inflation. The strategy used by the Federal Reserve in its monetary policies of the early 1980s was to restrict monetary supply so that the real interest rate soared to an all-time high in 1980 and 1981. This was sufficient to choke off economic activity and squeeze out excess demand in the economy, thereby bringing the rate of inflation down. However, this did not occur without also achieving a 10.5 percent unemployment rate and an essentially stagnant economy.

It was in the third quarter of 1982 when, faced by historically unprecedented rates of unemployment, as well as impressive gains against inflation, that Federal Reserve monetary policy shifted from restraint to expansion. This allowed an increase in the monetary base, a drop in interest rates, and the start of the recovery that is now taking place. However, as economic recovery progressed and the demand for resources again increased, the inflation rate, again, began to move up. It was concern about the potential increase in inflation that led to a gradual slowing of monetary expansion in the second quarter of 1983 leading to a gradual upturn in interest rates, and a slowing in the rate of economic growth.

However, political conditions will also have an effect on interest rates and the pace of economic expansion including: (1) the upcoming 1984 elections; (2) the high degree of U.S. loan exposure to developing countries; and (3) the high national debt. Keeping real interest rates down would increase output, reduce unemployment, reduce the debt service burdens of both debtor countries and the Federal government, and appease political desires for an acceptable level of economic growth. However, increased demands to finance the economic expansion will run up against Federal government demands in the capital markets, thereby pushing up real interest rates and choking off growth, while inflation could again flare up due to the long-term effects of overly expansionary monetary policies and increased resource demands in the economy. In short, without fundamental recognition of the economic pressures generated by large Federal deficits, by the end of 1985 the economy could be once again moving into a classic case of stagflation: high price inflation in a situation of economic recession.

The lesson in all of this is that there is a distinct trade-off between the Scylla and Charybdis of economic growth and inflation on the one hand, and unemployment and price stability on the other. But, more fundamentally, this trade-off is worsened by pressures in the capital markets due to Federal budget deficits. Unless we as a nation are willing to be taxed more in order to finance the kind of expenditures that we have voted for such as social programs and military expenditures, the Federal government will continue to dip into the public till for the funds to do so. The result will be less resources for private investment and growth, and, coupled with the low rate of private savings in this country, the kind of tightness in capital markets that will not only push interest rates up by crowding out private capital demands, but create a volatile atmosphere where marginal changes in the real interest rate will be sufficient to precipitate large fluctuations in either inflation or unemployment, and subsequently less margin for stability in economic growth and prices.

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Research Department, First Hawaiian Bank *November/December 1983*

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Small Business in Hawaii

Small businesses in Hawaii have been receiving a lot of attention recently. Considering the structure of business in Hawaii, that's no accident. Of the more than 21,000 business enterprises in the state, 98 percent have fewer than 100 employees, while more than 50 percent employ fewer than 5 persons. In essence, Hawaii *is* a small business state, and anything that affects small business in particular affects the state economy in general.

That conditions for small business have not been that good in Hawaii became evident at the third annual Statewide Small Business Conference and at meetings of the U.S. House Committee on Small Businesses. For example, Hawaii has the highest average workers' compensation rates in the nation according to a study by Alexander Grant and Co., Hawaii businesses pay the third highest unemployment compensation rates in the country, and the pyramiding effect of the State General Excise Tax serves as a disincentive to business activity.

While many of these issues are being examined separately through our Legislature and the Tax Review Commission, one area deserving more attention is the lack of available capital for small business. Only one venture-capital firm, Pacific Venture Capital, Ltd., is currently in operation in Hawaii, and it made $0.9 million in direct loans in 1982. State programs produced 30 loans in 1982 in which state participation of $1.7 million was used to leverage $2.7 million in loans through participation with the Small Business Administration (SBA) and private banks. SBA activity amounted to $0.3 million in direct loans, and $10.1 million in guarantees on loans made by private banks. In total, 135 loans worth $14 million were made to small businesses, out of which 72 percent originated in private banks.

In comparison, loans available to farmers through the Department of Agriculture numbered 507 for a total of $8.0 million in 1982, while loans from the Federal Land Bank Association of Hawaii, the Hawaii Production Credit Association, and the Farmers Home Administration numbered 584 for a total of $86.4 million in 1982. Thus, farmers received 8 times more loans and 7 times more money than nonfarmers in 1982.

According to the National Association of State Development Agencies, state governments provided $20.7 billion in total support for economic development in 1981. Of that total, industrial-revenue bonds accounted for $19.3 billion or 93 percent of total state support. Forty-seven states have active industrial-revenue-bond programs averaging $411 million per state. Hawaii has had no issues of industrial-revenue bonds (except for hospital and pollution-abatement issues), notwithstanding the existence of enabling legislation since 1981.

State governments are becoming more involved in designing capital-formation mechanisms for small businesses. Examples include direct-grant programs, loan programs, interest-subsidy and loan-guaranty programs, industrial-revenue-bond programs, state-funded or -chartered equity/venture-capital corporations, development-credit corporations, product-development corporations, enterprise zones, and tax-incentive programs. The development tool used most extensively is the industrial-revenue bond. The reason for their popularity is that they are financed through the private sector, repaid through the revenues of the borrowing industries, and do not require any debt-service obligation of the issuing agency. The bonds also provide tax-free income to investors, and are sold at below-market interest rates, thereby providing an interest subsidy to the borrower.

The State of Hawaii does currently provide a number of fiscal and tax incentives for businesses, including loan and industrial-revenue-bond programs, and various income-, property-, and excise-tax exemptions. Counties can also authorize industrial-revenue bonds, although a two-thirds approval of the state legislature is required for each individual issue.

Suggestions have been made to expand the availability of capital to small businesses. To that effect, expansion of existing loan programs, as well as the wider use of industrial-revenue bonds could be considered. Also, much could be gained by coordinating and expediting the bond issuing process, including greater county participation in bond approvals, expansion of activities eligible for funding, and reexamination of the two-thirds legislative majority requirement, which tends to expose the bond-approval process to regional interests. Separating industrial-revenue bond issues from general-obligation bond issues and placing them under a separate authority could also place greater emphasis on the commitment to small-business development.

Some states have achieved great success by concentrating fiscal and tax-incentive policy planning, coordination, and implementation within a separate body committed solely to that purpose. This facilitates access to and utilization of the more innovative industrial-financing mechanisms available to public institutions. Many states use an industrial-finance authority. The authority basically serves as a vehicle for leveraging private and public capital to support economic development policies, as well as coordinating existing programs in the various counties and state departments. What they do in fact is place all development finance programs under one coordinative agency responsible for an integrated and cohesive program of economic development support.

Programs to expand capital availability and institutions designed to organize financial-support programs would confer credibility to the commitment to support small businesses. Considering the importance of small businesses to Hawaii's economy, the benefits of such programs to the general economic development of the state should be apparent.

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u. s. economic indicators

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
GENERAL BUSINESS INDICATORS					
COMPOSITE INDEX OF LEADING INDICATORS*	1967 = 100	October	161.8p	0.8	16.7
GROSS NATIONAL PRODUCT**					
In Current Dollars	bil. $	3rd Qtr	3,360.3p	2.7	8.7
In 1972 Dollars	bil. $	3rd Qtr.	1,553.6p	1.9	4.6
PERSONAL INCOME**	bil. $	October	2,818.9p	11.8	7.7
RETAIL SALES*	mil. $	October	100,175p	10.7	10.2
BANKING AND CREDIT					
DEBITS TO DEMAND DEPOSITS**	bil. $	September	63,796.9	1.0	12.9
BANK LOANS*	bil. $	October	1,104.2p	7.2	6.4
AVERAGE PRIME RATE CHARGED BY BANKS	percent	October	11.0	0.0	−12.1
CONSUMER INSTALLMENT DEBT*	mil. $	September	365,334	6.5	9.0
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE**	bil. $	September	272.7	−0.8	18.2
CONSTRUCTION COST INDEXES					
Residences	1967 = 100	September	343.2	0.5[1]	4.9
Apts. Hotel, Office Bldgs	1967 = 100	September	352.7	0.7[1]	6.3
EMPLOYMENT					
CIVILIAN EMPLOYMENT*	thous.	October	111,815	−0.1	1.0
UNEMPLOYMENT*	thous.	October	9,886	−5.2	−14.6
UNEMPLOYMENT RATE*	percent	October	8.8	−5.4	−16.2
PRICES					
CONSUMER PRICE INDEX (All Items)					
Urban Wage Earners and Clerical Workers (Revised)	1967 = 100	October	301.3	0.2	2.6
All Urban Consumers	1967 = 100	October	302.6	0.3	2.9
PRODUCER PRICE INDEXES					
Finished Goods*	1967 = 100	October	287.8	0.3	1.4
All Commodities	1967 = 100	October	306.3	0.3	2.2

r = revised. **Seasonally adjusted.*
p = preliminary. ***Seasonally adjusted at annual rates.*
[1] *Compared to July, 1983.*

Sources:
General Business Indicators—U.S. Department of Commerce.
Banking and Credit—Board of Governors of the Federal Reserve System.
Construction—U.S. Department of Commerce. The American Appraisal Company.
Employment and Prices—U.S. Department of Labor, Bureau of Labor Statistics.

business activity in hawaii

TOURISM					
OVERNIGHT OR LONGER VISITORS	number	September	315,462p	−24.2	0.3
	number	Jan.-Sept.	3,298,589p	.....	2.6
Westbound	number	September	234,086p	−30.0	0.1
	number	Jan.-Sept.	2,587,425p	.....	3.9
Eastbound	number	September	81,376p	−1.0	1.1
	number	Jan.-Sept.	711,164p	.....	−1.8
AVERAGE DAILY VISITOR CENSUS[1]	number	May	83,225p	2.5	9.5
AVERAGE LENGTH OF STAY[1]	no. of days	May	9.9	0.0	0.0
MEETINGS ATTENDANCE	number	September	16,463	105.2	16.5
ORGANIZED GROUP TOURS	number	September	52,926p	−14.2	8.1
NEIGHBOR ISLAND VISITORS[1]					
Maui	number	September	121,917p	−25.3	9.7
	number	Jan.-Sept.	1,291,551p	.....	6.9
Hawaii	number	September	52,850p	−17.5	5.3
	number	Jan.-Sept.	556,537p	.....	6.6
Kauai	number	September	59,487p	−14.8	3.5
	number	Jan.-Sept.	539,897p	.....	−9.5
VISITOR ACCOMMODATIONS					
STATE	number	June	58,901	0.2	−0.8
Oahu	number	June	34,378	0.1	−1.1
Waikiki	number	June	30,132	0.1	−0.5
Maui (includes 11 on Lanai)	number	June	12,051	−0.6	2.8
Molokai	number	June	629	0.2	13.3
Hawaii	number	June	7,368	−1.4	3.7
Kauai	number	June	4,475	6.7	−14.1
HOTEL OCCUPANCY					
STATE	percent	October	65.69	−0.6	−2.6

p = preliminary.
[1] *Estimated Westbound.*

CURRENT BUSINESS TRENDS

October data indicate a continuing modest recovery in the economy, with broad-based improvements in most major indicators over the previous year. Interest-rate-sensitive sectors, including autos and real estate, were among the economic front-runners. September's new car sales were 37 percent ahead of 1982, while the sale of new condominiums for January through October was up 145 percent over the previous year. New single-family home sales increased by 54 percent for the same period. Resales of both single-family and multiple-family residences also experienced growth during the January-October period of 13 percent and 16 percent, respectively. Simultaneously, private-permit authorizations advanced for single-family units, leading 1982 by 59 percent. Multiple-unit and nonresidential construction, however, still lagged by 24 and 18 percent from 1982 in part due to current oversupplies of condominiums, offices, and hotel units.

Economic gains were also reflected in most of the labor force data for October. Both over-the-month and over-the-year improvements were evidenced in terms of increased employment, decreased unemployment, and decreased unemployment insurance activity. This encouraging pattern was seen in all counties except Kauai. Job counts also showed positive signs. While still slightly behind 1982, deficits for most job categories diminished from the previous month.

Inflation, income, and tax data also showed encouraging signs. An extremely low Consumer Price Index indicated that inflation has slowed considerably, while moderate increases in total personal income, gross business receipts, and state tax collections indicated further expansion in economic activity. Retail activity during the holiday season should give the economy an added boost, as retailers expect a roughly 10-percent increase in retail sales over last year.

TOURISM

September is usually one of the slower months for Hawaii's visitor industry, reflecting the post-summer doldrums as students and families prepare for the return to school. This September was no exception. Total visitors to the state, staying overnight or longer, fell by 24.2 percent from 416,398 in August to 315,462 in September. The same pattern was reflected in the Neighbor Islands.

However, on a year-to-year basis, the trends indicate growth in the visitor sector. Cumulative visitor totals for January through September of 1983 showed a 2.6 percent increase over the same period in 1982. Considering the intensity of current winter conditions across the country, the prospects look good for a busy winter tourist season in Hawaii. Visitor accommodations will also see a major expansion with the reopening of the Halekulani and the Turtle Bay Hilton (formerly the Kuilima) after extensive renovations.

Tourist trends on Kauai are of particular interest. Last November, after the devastation of Hurricane Iwa, visitors were further discouraged by intensified media coverage.

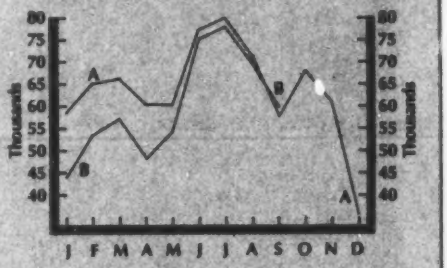
business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
HOTEL OCCUPANCY (continued)					
Oahu	percent	October	65.90	−8.3	−11.6
Maui	percent	October	77.31	12.6	9.5
Hawaii	percent	October	50.98	25.2	12.1
Kauai	percent	October	61.11	−2.2	17.7
DEFENSE EXPENDITURES					
APPROPRIATED FUNDS TOTAL	mil. $	3rd Qtr.	475.7*	0.9	7.4
Military Payroll	mil. $	3rd Qtr.	207.6*	10.7	15.2
Civilian Payroll	mil. $	3rd Qtr.	143.0*	−0.3	6.1
Local Purchases	mil. $	3rd Qtr.	125.0*	−10.9	−2.2
SUGAR					
SUGAR PRODUCTION	thous. tons	Jan.-Oct.	956	10.8	11.1
N. Y. RAW SUGAR PRICE	$/ton	October	439.12	−1.2	7.3
PINEAPPLE SHIPMENTS					
CANNED[2]	mil. $	Jan.-Sept.	123.9	.....	−15.2
FRESH	thous. lbs.	Jan.-Nov.	222,156	.....	−5.4
DIVERSIFIED AGRICULTURE					
CROPS					
Flowers & Nursery Products (wholesale)	thous. $	1982	30,559	.....	3.7
Anthurium Outshipments	th. dozens	Jan.-Oct.	1,373.8	.....	−2.6
Potted Foliage[3]	thous. $	1982	8,820	.....	21.4
Other[4]	thous. $	1982	16,106	.....	−4.8
Fruits & Nuts	thous. $	1982	41,982	.....	0.0
Papaya Sales	th. lbs.	Jan.-Oct.	34,690	.....	−6.4
Average Farm Price	cents/lb.	October	31.0	−11.4	52.0
Macadamia Nut Sales (in shell)	th. lbs.	1982	36,720	.....	10.1
Average Farm Price	cents/lb.	1982	73.9	.....	−6.8
Other[5]	thous. $	1982	3,362	.....	8.4
Vegetable and Melon Production[6]	th. lbs.	Jan.-Oct.	57,078	.....	22.0
Other Crop Sales[7]	thous. $	1982	8,453	.....	−23.0
LIVESTOCK					
Beef Production (dressed wt.)	th. lbs.	Jan.-Oct.	26,328	.....	12.3
Average Farm Price (feedlot beef)	cents/lb.	October	93.5	0.0	−4.1
Hog Production (dressed wt.)	th. lbs.	Jan.-Oct.	4,998	.....	2.6
Average Farm Price	cents/lb.	October	102.5	1.5	0.5
Milk Production	mil. lbs.	Jan.-Oct.	124.4	.....	2.7
Average Price Sold to Plants	$/100 lbs.	October	20.88	0.9	0.6
Egg Production	mil.	Jan.-Oct.	165.1	.....	−2.4
Average Farm Price	cents/doz.	October	83.5	0.0	−1.2
Other Livestock Sales[8]	thous. $	1982	5,814	.....	−1.3
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE	mil. $	Jan.-Sept.	1,020.2	.....	1.5
PRIVATE PERMITS AUTHORIZED					
RESIDENTIAL					
STATE	thous. $	Jan.-Oct.	333,291	.....	25.8
C&C of Honolulu	thous. $	Jan.-Oct.	189,240	.....	23.2
Maui County	thous. $	Jan.-Oct.	33,755	.....	4.7
Hawaii County	thous. $	Jan.-Oct.	44,328	.....	−18.6
Kauai County	thous. $	Jan.-Oct.	65,968	.....	167.4
SINGLE FAMILY UNITS					
STATE	number	Jan.-Oct.	2,864	.....	58.9
C&C of Honolulu	number	Jan.-Oct.	1,438	.....	204.7
Maui County	number	Jan.-Oct.	467	.....	1.3
Hawaii County	number	Jan.-Oct.	730	.....	9.8
Kauai County	number	Jan.-Oct.	229	.....	10.9
MULTIPLE FAMILY UNITS					
STATE	number	Jan.-Oct.	1,941	.....	−24.4
C&C of Honolulu	number	Jan.-Oct.	1,766	.....	−15.5
Maui County	number	Jan.-Oct.	24	.....	−80.3
Hawaii County	number	Jan.-Oct.	74	.....	−68.5
Kauai County	number	Jan.-Oct.	77	.....	−34.7
NONRESIDENTIAL					
STATE	thous. $	Jan.-Oct.	234,549	.....	−17.7
C&C of Honolulu	thous. $	Jan.-Oct.	132,424	.....	−35.2
Maui County	thous. $	Jan.-Oct.	48,698	.....	−9.6
Hawaii County	thous. $	Jan.-Oct.	27,003	.....	138.4
Kauai County	thous. $	Jan.-Oct.	26,425	.....	72.5
PUBLIC CONTRACTS AWARDED					
TOTAL GOVERNMENT PROJECTS	thous. $	Jan.-Nov.	238,576	.....	−33.7
BY LEVEL OF GOVERNMENT					

p = preliminary.
**Coast Guard figures not included.*
[2]Gross taxable income valued at time of shipment.
[3]Potted foliage grown for indoor or patio use.
[4]Includes cut flowers, cut orchids, lei flowers, cut foliage, other potted plants, unfinished flower and foliage stock, and other nursery products.
[5]Includes avocadoes, bananas, guavas, oranges, passion fruit, and tangerines.
[6]Includes snap beans, cabbage, celery, sweet corn, cucumbers, lettuce, onions, green peppers, tomatoes, and watermelons.
[7]Includes coffee, taro, feed and forage crops, and forest products.
[8]Includes broilers and chickens, turkeys, sheep, wool, horses, honey, and beeswax.

September represented the first time this year that tourist counts were above those of the previous year (see Figure 1). Aggressive promotion and marketing campaigns by the visitor industry, the county and the state have gradually paid off, bringing tourists back to Kauai.

FIGURE 1
KAUAI VISITOR COUNT
1982 AND 1983



A. Total Visitors by Month—1982
B. Total Visitors by Month—1983

NEW CAR SALES

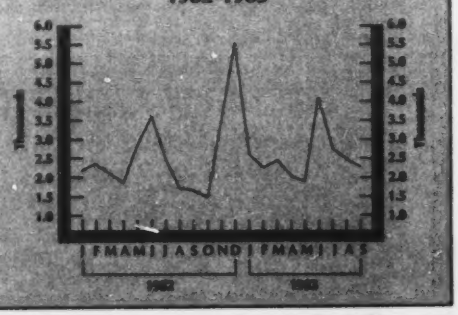
Having put off buying "big ticket" items during the past year, consumers are now slowly venturing back into the marketplace, particularly in the area of new car sales. Current data on new car registration from Cardinal Mailing Services suggests that consumers are not only browsing but an increased number are also buying.

After a sluggish first two quarters, the market picked up in the third quarter. Sales for the July-September 1983 period showed a 28 percent increase over the same period in 1982: 7,542 sales in 1983's third quarter compared to 5,901 in 1982.

General improvements in the economy such as increased personal income, and easing of credit were major contributing factors to the upturn in sales. People also appear to be adjusting to "sticker shock," and have learned to accept the higher price of cars.

The trend should be sustained in the fourth quarter as the economic recovery continues. Strengthening of the tourist industry should also contribute because sales to car-rental agencies constitute a substantial portion of the market. Although relatively slow in the first half of the year, the car-rental market is expected to improve during the winter quarter, as tourist demand increases (see Figure 2).

FIGURE 2
OAHU NEW CAR SALES
1982-1983



business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
PUBLIC CONTRACTS AWARDED (continued)					
FEDERAL	thous. $	Jan.-Nov.	54,133	.....	−54.6
STATE	thous. $	Jan.-Nov.	121,079	.....	−26.9
COUNTY	thous. $	Jan.-Nov.	63,365	.....	−4.7
BY LOCATION OF PROJECT					
C&C of Honolulu	thous. $	Jan.-Nov.	184,477	.....	−31.5
Maui County	thous. $	Jan.-Nov.	28,515	.....	−33.4
Hawaii County	thous. $	Jan.-Nov.	19,042	.....	−16.3
Kauai County	thous. $	Jan.-Nov.	6,542	.....	−73.8
HONOLULU CONSTRUCTION COST INDEXES					
SINGLE FAMILY	1967 = 100	November	339.4	2.4	8.9
HIGH-RISE	1967 = 100	November	358.7	0.4	5.2
REAL ESTATE					
OAHU: New Sales					
Single Family	number	Jan.-Oct.	896	.....	54.2
Condominium	number	Jan.-Oct.	1,933	.....	144.7
Resales					
Single Family	number	Jan.-Oct.	1,385	.....	13.2
Average Price	dollars	Jan.-Oct.	182,157	.....	7.2
Condominium	number	Jan.-Oct.	1,866	.....	15.8
Average Price	dollars	Jan.-Oct.	103,618	.....	−0.9
MAUI: Resales					
Single Family	number	Jan.-Oct.	161	.....	94.0
Average Price	dollars	Jan.-Oct.	158,469	.....	27.6
Condominium	number	Jan.-Oct.	336	.....	106.1
Average Price	dollars	Jan.-Oct.	150,366	.....	−0.6
HAWAII: Resales					
Single Family	number	Jan.-Oct.	280	.....	25.6
Average Price	dollars	Jan.-Oct.	90,080	.....	−9.9
Condominium	number	Jan.-Oct.	77	.....	97.4
Average Price	dollars	Jan.-Oct.	110,202	.....	−4.7
KAUAI: Resales					
Single Family	number	Jan.-Oct.	46	.....	39.4
Average Price	dollars	Jan.-Oct.	123,987	.....	10.2
Condominium	number	Jan.-Oct.	22	.....	8.3
Average Price	dollars	Jan.-Oct.	145,408	.....	9.0
BUSINESS SALES					
GROSS BUSINESS RECEIPTS	mil. $	Jan.-Sept.	16,265.8	.....	4.3
DIVERSIFIED MANUFACTURING	mil. $	Jan.-Sept.	378.1	.....	−11.4
DIVERSIFIED AGRICULTURE	mil. $	Jan.-Sept.	167.4	.....	24.3
RETAILING	mil. $	Jan.-Sept.	5,842.8	.....	3.6
WHOLESALING	mil. $	Jan.-Sept.	4,001.6	.....	3.5
SERVICES	mil. $	Jan.-Sept.	3,682.4	.....	7.5
OAHU NEW CAR SALES	number	September	2,299	−7.2	36.8
PUBLIC UTILITIES					
ELECTRICITY GENERATED	mil. kwh.	October	588.6	1.0	0.5
GAS SALES	th. therms.	October	3,821	0.4	0.2
TELEPHONE LINES IN SERVICE	thous.	October	455.3	0.4	2.7
HONOLULU PRICES					
HONOLULU CONSUMER PRICE INDEX					
Urban Wage Earners and Clerical Workers (Revised): All items	1967 = 100	October	285.9	2.8[9]	4.1
All Urban Consumers: All Items	1967 = 100	October	276.4	1.1[9]	0.4

[9]*Compared to August, 1983.*

Sources:

Tourism—Hawaii Visitors Bureau. Pannell, Kerr, Forster.

Defense—Reports from various branches of the armed forces.

Sugar—Hawaiian Sugar Planters' Association.

Pineapple—Hawaii State Department of Taxation. Hawaii State Department of Agriculture.

Diversified Agriculture—Hawaii State Department of Agriculture.

Construction—Hawaii State Department of Taxation. Honolulu County Building Department. Hawaii, Kauai, and Maui County departments of public works.

Real Estate—Monitor Hawaii, Inc. Locations Inc., First Hawaiian Bank, Research Department.

Business Sales—Hawaii State Department of Taxation. Cardinal Mailing Services, Ltd.

Public Utilities—Hawaiian Electric Company, Inc. Citizens Utilities Company. Molokai Electric Co., Ltd. Gasco, Inc. Hawaiian Telephone Company.

Honolulu Prices—U.S. Department of Labor, Bureau of Labor Statistics.

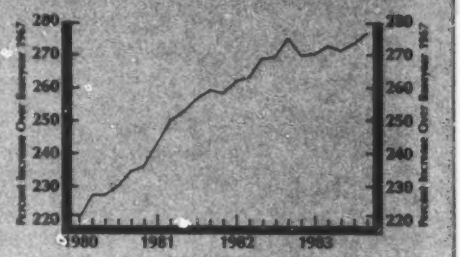
As can be seen in Figure 2, car sales in Hawaii follow a strong cyclical pattern with high peaks in the summer and winter months. These peaks coincide with increased fleet demands by car rental and leasing agencies, in response to summer and winter increases in the visitor market. This tends to underscore the underlying significance of tourist demand in many major retail sectors, as well as the expectation that sales activity in November and December should see a sizeable increase due to seasonal fleet demand increases.

CONSUMER PRICE INDEX

Statistics from the Bureau of Labor Statistics indicate that inflation has slowed to a crawl, providing a distinct bright spot in the national and local economic pictures.

Nationally, October's consumer price index (CPI) showed a minimal monthly gain. The index for all urban consumers (CPI-U) increased by 0.3 percent between September and October of 1983, resulting in a modest 2.9 percent growth over the year. The CPI for urban wage earners and clerical workers (CPI-W) showed an even more favorable trend with a 2.6 percent over-the-year gain.

FIGURE 3
HONOLULU CONSUMER PRICE INDEX
ALL URBAN CONSUMERS
1980-1983



The local data also showed favorable overall trends (see Figure 3). After showing steep increases in 1980 and 1981, the CPI for all urban consumers (CPI-U) leveled off sharply in mid-1982. The monthly gain during September and October was 1.1 percent for all urban consumers, which, although the largest increase for the year, showed an historically low 0.4 percent increase when compared to October of 1982. The CPI for urban wage earners and clerical workers (CPI-W) edged up 2.8 percent since August 1983, and 4.1 percent over the year. It should be noted, however, that a portion of the slowed CPI-U increase may be due to revisions in the calculating procedures. In January, the Bureau

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population and personal income in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
POPULATION					
DE FACTO—STATE	thous.	July 1, 1982	1,084p	.....	1.9
TOTAL RESIDENT—STATE	thous.	July 1, 1982	994p	.....	1.5
C&C of Honolulu	thous.	July 1, 1982	775p	.....	1.0
Maui County	thous.	July 1, 1982	80p	.....	5.6
Hawaii County	thous.	July 1, 1982	98p	.....	2.3
Kauai County	thous.	July 1, 1982	41p	.....	2.2
CIVILIAN RESIDENT—STATE	thous.	July 1, 1982	939p	.....	1.8
MILITARY PERSONNEL—STATE	number	July 1, 1982	61,107	.....	−0.7
Ashore	number	July 1, 1982	54,184	.....	17.1
Afloat	number	July 1, 1982	6,923	.....	−54.7
CIVILIAN DEPENDENTS OF MILITARY	number	July 1, 1982	66,709	.....	3.7
FOREIGN IMMIGRATION[1]	number	12 mo. total for period ending 11/83	5,372	.....	−19.5
PERSONAL INCOME					
TOTAL PERSONAL INCOME**	mil. $	2nd Qtr. 1983	12,250	1.8	6.4
Employment Income[2]	mil. $	2nd Qtr. 1983	9,070	2.2	7.5
Manufacturing	mil. $	2nd Qtr. 1983	429	−2.1	0.9
Construction & Mining[3]	mil. $	2nd Qtr. 1983	511	2.6	4.1
Wholesale	mil. $	2nd Qtr. 1983	396	3.1	8.5
Retail	mil. $	2nd Qtr. 1983	1,042	3.4	8.2
Finance, Ins. & Real Estate	mil. $	2nd Qtr. 1983	633	7.1	16.2
Trans., Comm., & Util.	mil. $	2nd Qtr. 1983	804	0.5	1.3
Services	mil. $	2nd Qtr. 1983	1,907	3.6	8.3
Farm & Other	mil. $	2nd Qtr. 1983	311	1.6	11.5
Federal Civilian	mil. $	2nd Qtr. 1983	862	2.1	10.9
Federal Military	mil. $	2nd Qtr. 1983	1,085	−0.3	3.8
State & Local	mil. $	2nd Qtr. 1983	1,091	1.4	9.8
Property Income (Dividends, Interest, Rent)	mil. $	2nd Qtr. 1983	2,118	0.2	−0.7
Transfer Payments (1,636) minus Personal Contributions For Social Ins. (574)	mil. $	2nd Qtr. 1983	1,062	1.9	12.5
PER CAPITA PERSONAL INCOME					
STATE PER CAPITA	dollars	1982	11,602	.....	5.2
PER CAPITA BY COUNTY					
C&C of Honolulu	dollars	1981	11,553	.....	9.0
Maui County	dollars	1981	9,702	.....	7.2
Hawaii County	dollars	1981	8,728	.....	5.0
Kauai County	dollars	1981	9,132	.....	7.2

p = preliminary.

***Total personal income and all components are seasonally adjusted at annual rates.*

[1]These immigration statistics include only those entering Honolulu ports and do not include status changes.

[2]Includes wage and salary disbursements, proprietors' income, and other labor income.

[3]Income from mining not shown separately to avoid disclosure of confidential information.

Sources:

Population—Hawaii State Department of Planning and Economic Development. U.S. Bureau of the Census. U.S. Immigration and Naturalization Service.

Personal Income—U.S. Department of Commerce, Bureau of Economic Analysis.

of Labor Statistics revamped the methodology for calculating housing costs for the CPI-U (the CPI-W continued to use the old homeownership method). Since last October the housing component of the CPI-U dropped by 2.1 percent, while the housing component for the CPI-W increased by 6.1 percent.

The majority of the 1.1 percent gain seen between the August and October CPI-U surveys was largely due to growth in the housing and transportation components. Higher electricity rates and rent increases pushed the housing component up 1.8 percent since August. Higher prices, especially for used cars, increased insurance rates, and escalating finance costs all contributed to the 1.5 percent upswing in the transportation component.

TOTAL PERSONAL INCOME

Total Personal Income (TPI) figures for the second quarter and revisions for the previous years were recently released by the Bureau of Economic Analysis. These numbers revealed a moderate TPI growth for both Hawaii and the U.S. Typical of an economic recovery, expansion in employment and production fueled upward shifts in personal income.

National data reported a strong 2.2 percent growth, which translated to an annual rate of 8.8 percent . . . well ahead of this year's expected 4 to 5 percent inflation rate. Hawaii's expansion was not as rapid, reporting an over-the-quarter gain of 1.8 percent. Annualized, this represents a relatively healthy 7.2 percent increase. Again, with inflation at minimal levels, this indicated an upturn in real income.

On an annual basis, over-the-quarter growth rates improved after a precipitous drop in the fourth quarter of 1982 due to Hurricane Iwa (see Figure 4). Damage estimates from the hurricane were subtracted from property income, not only adversely affecting the total, but also obscuring gains experienced in other employment categories. While growth in 1983 was below 1981 and 1982, inflation rates for those years were also much higher: 10.5 and 6.0 percent, respectively.

Employment income, which comprises about three quarters of Hawaii's TPI, showed gains in most areas. Manufacturing was the major exception, still suffering from the effects of the 1982 recession. The construction industry, on the other hand, appeared to be on the upswing, having posted gains three quarters in a row. The service industries, Hawaii's major economic area, logged a sizeable increase which annualized at 14.4 percent.

HAWAIIAN BANK
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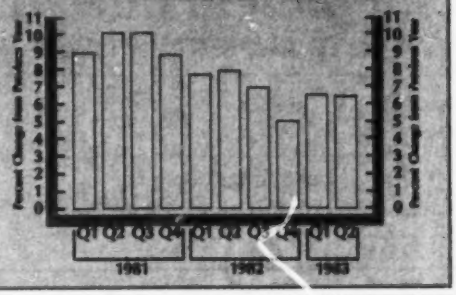
employment and unemployment in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
EMPLOYMENT IN STATE AND COUNTIES (number of persons)					
STATE					
Civilian Labor Force	thous.	October	465.0p	2.4	1.4
Employment	thous.	October	437.4p	2.7	2.6
Unemployment	thous.	October	27.7p	−2.1	−13.7
Unemployment Rate	percent	October	5.9p	−4.8	−15.7
C & C OF HONOLULU					
Civilian Labor Force	thous.	October	356.2p	2.8	2.1
Employment	thous.	October	336.7p	3.1	3.0
Unemployment	thous.	October	19.5p	−2.0	−11.0
Unemployment Rate	percent	October	5.5p	−3.5	−12.7
MAUI COUNTY					
Civilian Labor Force	thous.	October	42.6p	1.0	0.5
Employment	thous.	October	39.2p	0.3	2.6
Unemployment	thous.	October	3.3p	3.1	−21.4
Unemployment Rate	percent	October	7.8p	4.0	−22.8
HAWAII COUNTY					
Civilian Labor Force	thous.	October	45.7p	2.7	−1.3
Employment	thous.	October	42.3p	3.7	1.0
Unemployment	thous.	October	3.4p	−8.1	−22.7
Unemployment Rate	percent	October	7.4p	−10.8	−22.1
KAUAI COUNTY					
Civilian Labor Force	thous.	October	20.6p	−1.4	−1.4
Employment	thous.	October	19.1p	−1.6	−1.6
Unemployment	thous.	October	1.5p	−6.2	0.0
Unemployment Rate	percent	October	7.2p	−4.0	−1.4
JOB COUNT BY INDUSTRY					
TOTAL JOBS—STATE	thous.	October	439.2p	2.0	−0.5
SUGAR (mill and field)	thous.	October	8.4p	0.0	−1.8
PINEAPPLE (cannery and field)	thous.	October	4.0p	−15.1	12.9
DIVERSIFIED MANUFACTURING (excluding sugar and pineapple)	thous.	October	15.4p	1.3	−2.8
Durable Goods	thous.	October	3.3p	4.8	−8.3
Non-Durable Goods	thous.	October	12.2p	0.4	−0.8
Apparel and Textiles	thous.	October	2.7p	0.0	−3.6
DIVERSIFIED AGRICULTURE (excluding sugar and pineapple, but including agricultural self-employed)	thous.	October	9.4p	19.0	−6.9
CONTRACT CONSTRUCTION	thous.	October	16.6p	0.3	−2.6
TRANSPORTATION	thous.	October	20.6p	−0.2	−5.7
COMMUNICATION	thous.	October	7.2p	−0.7	−3.4
UTILITIES	thous.	October	2.4p	2.1	−3.9
RETAIL TRADE	thous.	October	87.6p	−0.1	1.3
WHOLESALE TRADE	thous.	October	19.1p	−0.3	1.1
FINANCE, INSURANCE AND REAL ESTATE	thous.	October	31.2p	−0.5	−0.8
HOTEL SERVICES—STATE	thous.	October	26.8p	3.7	0.6
Honolulu County	thous.	October	15.1p	4.5	2.7
Maui County	thous.	October	65.6p	2.3	−0.8
Hawaii County	thous.	October	3.1p	5.1	−1.6
Kauai County	thous.	October	2.0p	−2.4	−9.1
OTHER SERVICES	thous.	October	74.0p	0.7	−0.5
FEDERAL GOVERNMENT	thous.	October	32.0p	0.2	0.3
Civilian Agencies	thous.	October	11.3p	0.0	−0.9
Defense Department	thous.	October	20.6p	0.2	1.0
STATE GOVERNMENT	thous.	October	45.4p	15.8	−0.7
COUNTY GOVERNMENT	thous.	October	12.6p	−0.8	−1.2
UNEMPLOYMENT INSURANCE CLAIMS AND PAYMENTS					
INSURED UNEMPLOYMENT (weekly average)	number	October	14,004	0.5	−6.9
INTRASTATE INITIAL CLAIMS	number	October	5,895	4.2	−18.8
INTERSTATE INITIAL CLAIMS	number	October	345	−10.2	−23.7
UNEMPLOYMENT INSURANCE BENEFITS	thous. $	October	6,133	5.3	−12.0

p = *preliminary.*

Sources:
Employment, Job Count, and Unemployment Insurance—Hawaii State Department of Labor and Industrial Relations.

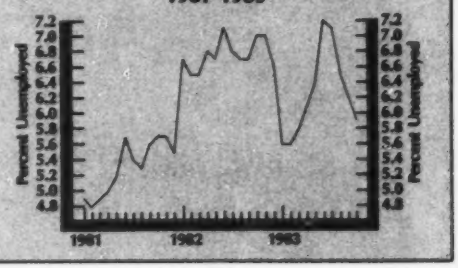
FIGURE 4
QUARTERLY GROWTH IN PERSONAL INCOME
—HAWAII—



EMPLOYMENT

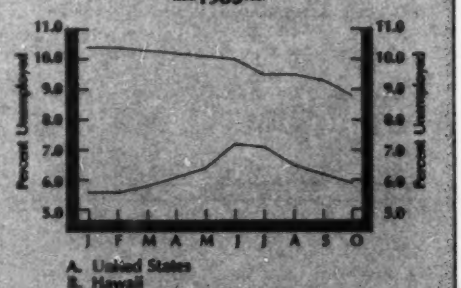
Recent employment patterns were also encouraging. Cumulative data through October of 1983 showed an overall growth in the civilian labor force of 1.4 percent over 1982, from 454,200 to 465,000 persons. Meanwhile, the unemployment rate fell to 5.9 percent, reflecting a 4.8 percent decrease from the previous month, and a 15.7 percent decrease from the previous year (see Figure 5).

FIGURE 5
UNEMPLOYMENT RATES
STATE OF HAWAII
1981-1983



The state jobless ratio looked even more favorable compared to national figures. The U.S. rates also showed declines this year, but still remained high by Hawaii standards. Nationally, unemployment went down to 8.4 percent in October, from 8.8 percent in September (see Figure 6).

FIGURE 6
UNEMPLOYMENT RATES
U.S. AND HAWAII
—1983—



Employment in Hawaii should improve even further during the last two months of this year. Contributing factors include retailers hiring for the holiday season; both the

public assistance in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
PUBLIC ASSISTANCE					
RECIPIENTS[1]					
Income Maintenance	no./persons	September	63,280	−0.6	−1.8
Services	no./cases	3rd Qtr.	7,113	9.3	3.3
Medical	no./patients	November	46,930	−4.5	1.7
Food Stamps	no./persons	September	100,229	−0.2	1.1
PAYMENTS					
Income Maintenance	thous. $	September	8,900	−0.6	−1.8
Services	thous. $	3rd Qtr.	3,415	−9.4	−12.2
Medical	thous. $	November	12,275	0.4	14.2
Food Stamps	thous. $	September	6,455	−0.8	12.0

[1]Count of recipients is duplicated. A person may be counted in each category.

Sources:
Public Assistance—Hawaii State Department of Social Services and Housing.

banking and finance in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
FINANCE					
COMMERCIAL BANKS					
Total Deposits					
STATE	mil. $	October	5,740.2	1.0	14.6
Honolulu County	mil. $	October	4,741.7	1.2	14.1
Maui County	mil. $	October	359.4	0.9	14.6
Hawaii County	mil. $	October	425.8	0.1	15.7
Kauai County	mil. $	October	213.3	1.5	21.7
Debits to Demand Deposits					
STATE	mil. $	October	7,011.2	−6.8	−4.7
Honolulu County	mil. $	October	6,464.0	−6.8	−3.9
Maui County	mil. $	October	229.5	−7.0	−15.3
Hawaii County	mil. $	October	220.1	−5.6	−20.9
Kauai County	mil. $	October	97.8	−4.5	13.5
Loans Outstanding	mil. $	3rd Qtr.	3,641	−1.2	2.8
Real estate	mil. $	3rd Qtr.	1,651	0.1	4.2
Consumer	mil. $	3rd Qtr.	813	2.2	1.5
Commercial & Industrial	mil. $	3rd Qtr.	1,048	−5.0	3.6
Other	mil. $	3rd Qtr.	128	−6.5	−10.0
SAVINGS & LOAN ASSOCIATIONS					
Total Deposits	mil. $	September	3,534	1.4	8.2
Loans	mil. $	September	36.2	30.4	−64.8
Residential	mil. $	September	33.4	178.9	−60.8
Other	mil. $	September	2.8	−82.4	−84.2
STATE TAX COLLECTIONS[1]					
TAX COLLECTIONS—STATE	thous. $	Jan.-Oct.	1,053.9	.....	11.4
Honolulu County	thous. $	Jan.-Oct.	924.8	.....	9.6
Maui County	thous. $	Jan.-Oct.	56.7	.....	32.9
Hawaii County	thous. $	Jan.-Oct.	54.4	.....	30.5
Kauai County	thous. $	Jan.-Oct.	17.9	.....	1.4

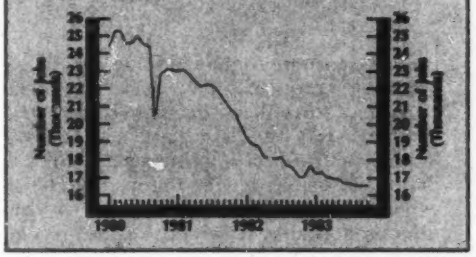
[1]Excludes property taxes which were formerly collected by the State but are now collected by the Counties.

Sources:
Finance—Hawaii State Department of Commerce and Consumer Affairs. Federal Deposit Insurance Corporation reports. Federal Home Loan Bank of Seattle.
State Tax Collections—Hawaii State Department of Taxation.

Department of Education and the University of Hawaii hiring temporary workers for the new semester; and the service sector, particularly the hotel industry, hiring to meet the needs of the increased number of winter visitors.

Job counts have also shown improvement. While the overall number of jobs still remained slightly below last year, some industries began to show increases. Two major industrial sectors experienced gains through October of 1983; retail and wholesale trade expanded by 1.3 percent and 1.1 percent, respectively. Other industries, while lagging behind last year's job count showed favorable trends. For example, shortfalls in construction jobs have been diminishing (see Figure 7). 1,900 construction jobs were lost between October 1980 and 1981 (despite the fact that the 1980 data was already lowered because of the carpenter strike). Another 3,900 jobs were lost between October of 1981 and 1982.

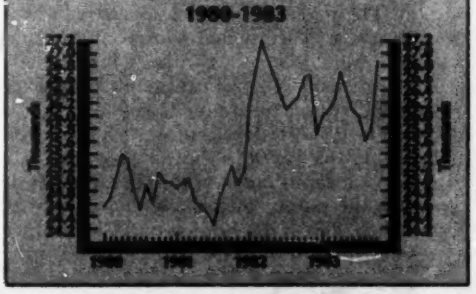
FIGURE 7
CONSTRUCTION JOBS
STATE OF HAWAII
1980-1983



By comparison, the 450 job drop between 1982 and 1983 can be viewed as an improvement. It appears that the industry is finally beginning to bottom out.

Hotel services was the only sector to show substantial over-the-month gains that were not due to seasonal factors alone, moving from a negative job count position relative to the previous year to a positive 0.6 percent gain in October (see Figure 8). Much of this is attributable to the approximately 500 new jobs created by the reopening of the Halekulani Hotel. In general, hotel jobs fluctuate with movements in the visitor industry reflecting summer and winter peaks. Job counts were low 1980 and 1981 but increased significantly in 1982. Following the summer peak in 1983, job counts are expected to increase again in the winter months above the 1982 winter peak.

FIGURE 8
HOTEL SERVICE JOBS
STATE OF HAWAII
1980-1983



ECONOMIC INDICATORS

A Bimonthly Report on Current Economic Conditions in Hawaii
by the Research Department, First Hawaiian Bank

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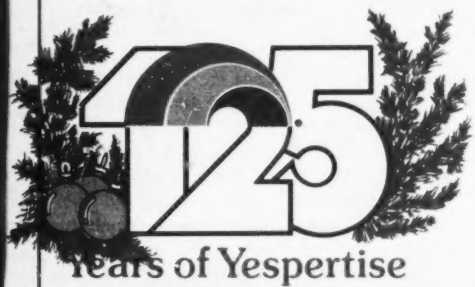

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Learning from Moloka'i

Perhaps more so than in other islands, the people of Moloka'i are being faced with crucial decisions concerning their social and economic future. These decisions concern the need for a stable and diversified economic base, particularly in view of the recent decline in pineapple production. In a sense, Moloka'i's situation is unique due to its small size, predominantly Hawaiian population, and general lack of economic alternatives compared to the other more urbanized islands. However, it is also *because* of these conditions that Moloka'i serves as a kind of microcosm of the problems faced by the other islands in their search for the appropriate relationship between agriculture, tourism, and traditional Hawaiian culture and values.

These choices were recently summarized in *Moloka'i: Issues and Options* published by the Department of Planning and Economic Development. Among other things, attention was given to diversified agriculture, the visitor industry, and innovative ways of integrating economic development with the cultural lifestyle and resources of the community. Many of the points originated in Moloka'i and deserve further attention for their potential relevance to economic development issues on a statewide level.

The emphasis of the report was on diversified agriculture, with priority given to the development of *small-scale* production to facilitate greater participation of small, independent producers in agricultural development. Appropriate policies included developing small "starter" lots for new farmers, reducing infrastructure requirements for start-up farmers, developing marketing cooperatives, and providing technical and financial assistance for small farmers. These efforts resemble the strategies being developed by large corporations such as Castle & Cooke and American Factors in the development and stimulation of small-scale independent diversified agricultural production. In addition, the study recognized efforts by the native Hawaiian community in the reestablishment of the *ahupua'a* system of farming designed to restore ancient Hawaiian methods of crop and fishpond production. The main significance, however, was the recognition of the *ahupua'a* as a legitimate source of agricultural production and employment that, along with the broadened efforts of small farmers, can make a significant contribution to the development of diversified agriculture on Moloka'i.

In terms of tourism, recognizing the employment benefits of tourism as well as the importance of traditional cultural values, the major accomplishment of the community was to come to a consensus on the parameters of visitor industry growth appropriate to Moloka'i. Resort development has been confined to self-contained resort areas on the west end of the island, thus allowing the development of existing destination areas without infringing on the traditional social, economic, and environmental qualities of the island, which are to be found more to the east end.

More importantly, however, development of tourism need not conflict with traditional values, and can, with wise planning, even support them. The report advocates the integration of the traditional Hawaiian culture and lifestyle with the visitor industry, as a culturally educational medium for visitors, thereby enriching the more commercial aspects for which tourism is generally known. This could be accomplished through a version of the Japanese "minshuku" system where private homes are used for tourist accommodations. This allows residents to take in guests for extra income, while visitors can experience Hawaii in a more local and personalized setting. This is similar to the "bed and breakfast" concept becoming increasingly popular throughout the state, as well as the "pensione" system already well established throughout Europe.

Development of the *ahupua'a* also offers an alternative for visitors interested in the culture and lifestyle of the ancient Hawaiians. The development would revitalize the "mountains to the sea" concept of Hawaiian social and economic organization by restoring ancient fishponds, re-creating a fishing village, demonstrating historic farming techniques, and teaching Hawaiian methods of management and use of native flora and fauna. Also, development of the Moloka'i Makahiki, which focuses on the perpetuation of ancient Hawaiian athletic games, as well as numerous historical and archeological sites provide opportunities to enrich the historic and cultural awareness of visitors to Hawaii. Examples of similar attractions throughout the country include the Pueblo villages in New Mexico, the fishing and Colonial-village reconstructions in New England such as Rockport, Plymouth, and Sturbridge Village, and Williamsburg in Virginia. The restoration of historic urban areas as well as ancient castles and villages in Europe has long been an important part of the European visitor market. Thus, ancient customs and values need not contradict, but can be actually strengthened and reinforced by integration with the development process.

The essential point made by the Moloka'i study, and the lesson to be gained, is that economic growth and diversification need not occur at the expense of the small farmer, or the Hawaiian community. Rather, if constructively managed and maintained, development can in fact become a process reflective of the resources and aspirations of the community, rather than one that is seen as culturally antagonistic and economically disruptive.

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ECONOMIC INDICATORS

Research Department, First Hawaiian Bank | January/February 1984

Hawaii: A Quarter-Century of Change

On August 21, 1959 Hawaii was officially admitted into the Union as the fiftieth state of the United States of America. Nearly a generation has passed since that memorable day in Hawaii's history 25 years ago, and it is with a deep sense of pride and achievement that we look back over the years of growth and change that have characterized the evolution of Hawaii's economy. As we reflect upon the past quarter-century, and begin preparations for Hawaii's Silver Jubilee Anniversary Celebration, the time seems also appropriate to consider the implications of these changes for the future, and the growing responsibilities of an informed and concerned citizenry.

Unquestionably, the most significant factor affecting the Hawaiian economy since statehood was the development of tourism. Influenced by Hawaii's new political relationship with the continental United States and improvements in transpacific air travel, annual visitors to Hawaii increased seventeen-fold between 1959 and 1982 from 243,216 to 4,242,916 people. Annual visitor expenditures increased over 40 times from $109 million in 1959 to $3.7 billion in 1982. As a percentage of total Gross State Product (GSP), tourist expenditures increased from 7 percent in 1959 to 27 percent in 1982.

The impact on the economy was enormous. Annual expenditures for hotel construction increased 12 times from $8.2 million in 1959 to $95.1 million in 1980, while commercial construction increased 9 times from $39.6 million in 1959 to $349 million in 1980. The total count of hotel units rose 9 times from 6,825 units in 1959 to 58,765 units in 1983. A significant portion of this growth benefitted the Neighbor Islands directly. In 1959, 16 percent of all hotel units were on the Neighbor Islands: in 1983, the proportion stood at 42 percent.

In turn, the prosperity brought on by tourism precipitated large increases in population, which further stimulated demands for housing, trade, transportation, and other services. By the early 1980s, Hawaii had evolved into a predominantly service-based economy supporting the growing needs of the tourist industry and an ever-increasing population base.

However, in the meantime, growth in other export sectors, with the exception of military expenditures, failed to keep pace with growth in the visitor market. Between 1959 and 1983, due to increased world and domestic competition, total acreage in sugar and pineapple declined by 20 percent, while employment fell by 53 percent. On the other hand, while growth in diversified agricultural and manufacturing activities holds promise for balancing the economy, it has yet to achieve the scale required to replace the once dominant position of sugar and pineapple.

The result of this historical process, notwithstanding the positive growth in output and jobs, has been an increasing dependence of the Hawaiian economy on tourism, and increased local vulnerability to external economic conditions, as was demonstrated in the recent prolonged Hawaiian recession of 1980 to 1982. At the same time, as the economy shifted towards consumer and tourist-based services, the structure of economic activity shifted from large agriculturally-based enterprises to smaller, more diversified and independent businesses. This has had profound implications for economic stability and Hawaii's system of laws and institutions.

The danger of vulnerability to external economic conditions, lies in the exposure of the visitor market, and those industries dependent upon it, to disruptive economic instability. In addition to jobs directly related to tourism such as hotel and travel services, jobs in the construction industry, and tourist-related services such as apparel, transportation services, food services, and trade are also affected when the tourist market contracts. These effects are particularly severe on the Neighbor Islands which have a less diversified employment base.

Further, nearly two-thirds of Hawaii's labor force work in trade, real estate, finance and insurance, and hotels and services. Of the more than 21,000 business enterprises in the state, 98 percent have fewer than 100 employees, while more than 50 percent employ fewer than five persons. 65 percent of Hawaii's labor force work in businesses of less than 100 employees. In short, Hawaii has become a consumer service-based and tourist-oriented economy comprised predominantly of small businesses. Not surprisingly, therefore, tax, labor, land, and business laws that once strongly favored labor in a time when most people worked on sugar and pineapple plantations a generation ago, have become onerous in a time when individual entrepreneurship and managerial initiative in a competitive environment have become essential for economic survival.

Ironically, it is the very strength of Hawaii's growth in tourism in the past 25 years, and the shifts in Hawaii's industrial composition and economic structure, that have set the agenda for the next 25 years. That agenda includes a systematic policy of economic diversification, and a reorientation of our laws and institutions toward stimulation and support for small-business development. While there is room for debate over the extent to which public policy should intervene in the economy, much can still be done to improve the climate for all businesses in Hawaii, as well as facilitate the role of the state as a catalyst in the overall business-development process.

State government is already actively involved in this process through the guidance of the State Plan and the related State Functional Plans, the programmatic efforts of the Department of Planning and Economic Development, and the deliberations of the various commissions created to examine aspects of Hawaii's economy. Support and participation by county governments, the business community, labor, and community and civic interests can also create a sense of shared achievement in the securing of Hawaii's economic future.

As Hawaii emerges from its first quarter-century of statehood, and effects the transition from a predominantly rural agrarian society to a dynamic urban entrepreneurial and service-based economy, the urgency will be greater than ever for a sense of farseeing and responsible stewardship during this critical period of change. That stewardship is as much the responsibility of the community as it is that of government. As we look forward to the next 25 years of statehood, and a lifetime of aloha, let it not be said that we, as a people, thought not of the generations to follow.

FIRST HAWAIIAN BANK
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u. s. economic indicators

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
GENERAL BUSINESS INDICATORS					
COMPOSITE INDEX OF LEADING INDICATORS*	1967 = 100	December	162.9p	0.6	15.6
GROSS NATIONAL PRODUCT**					
In Current Dollars	bil. $	4th Qtr	3,432.7p	2.1	10.4
In 1972 Dollars	bil. $	4th Qtr.	1,570.6p	1.1	6.1
PERSONAL INCOME**	bil. $	December	2,857.2p	0.9	8.0
RETAIL SALES*	mil. $	December	102,059p	0.1	10.4
BANKING AND CREDIT					
DEBITS TO DEMAND DEPOSITS**	bil. $	November	64,750.8	−1.5	14.6
BANK LOANS*	bil. $	November	1,115.6p	1.0	7.6
AVERAGE PRIME RATE CHARGED BY BANKS	percent	January	11.00	0.0	−1.4
CONSUMER INSTALLMENT DEBT*	mil. $	November	374,890	1.3	11.3
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE**	bil. $	October	269.5p	−2.5	15.1
CONSTRUCTION COST INDEXES					
Residences	1967 = 100	November	343.8	0.2[1]	4.1
Apts, Hotel, Office Bldgs	1967 = 100	November	352.9	0.1[1]	5.4
EMPLOYMENT					
CIVILIAN EMPLOYMENT*	thous.	December	102,941	0.3	4.0
UNEMPLOYMENT*	thous.	December	9,195	−2.4	−22.7
UNEMPLOYMENT RATE*	percent	December	8.2	−2.4	−23.4
PRICES					
CONSUMER PRICE INDEX (All Items)					
Urban Wage Earners and Clerical Workers (Revised)	1967 = 100	December	301.5	0.0	3.3
All Urban Consumers	1967 = 100	December	303.5	0.1	3.8
PRODUCER PRICE INDEXES					
Finished Goods*	1967 = 100	December	287.1p	0.1	0.2
All Commodities	1967 = 100	December	306.0p	0.1	1.8

p = preliminary.
[1]Compared to September, 1983.

*Seasonally adjusted.
**Seasonally adjusted at annual rates.

Sources:
General Business Indicators—U.S. Department of Commerce.
Banking and Credit—Board of Governors of the Federal Reserve Syst.
Construction—U.S. Department of Commerce. The American Appraisal Company.
Employment and Prices—U.S. Department of Labor, Bureau of Labor Statistics.

business activity in hawaii

TOURISM					
OVERNIGHT OR LONGER VISITORS	number	December	392,506p	22.7	14.5
	number	Jan.-Dec.	4,357,184p	.....	2.7
Westbound	number	December	301,375p	20.3	16.1
	number	Jan.-Dec.	3,404,434p	.....	3.8
Eastbound	number	December	91,131p	31.4	9.4
	number	Jan.-Dec.	952,750p	.....	−1.2
AVERAGE DAILY VISITOR CENSUS[1]	number	May	83,225p	2.5	9.5
AVERAGE LENGTH OF STAY[1]	no. of days	May	9.9	0.0	0.0
MEETINGS ATTENDANCE	number	December	5,627	−52.4	−57.2
ORGANIZED GROUP TOURS	number	December	52,376p	−8.7	19.1
NEIGHBOR ISLAND VISITORS[1]					
Maui	number	December	139,374p	9.6	11.8
	number	Jan.-Dec.	1,702,792p	.....	5.9
Hawaii	number	December	62,717p	12.4	6.1
	number	Jan.-Dec.	739,050p	.....	5.0
Kauai	number	December	56,572p	5.0	60.5
	number	Jan.-Dec.	717,143p	.....	−5.7
VISITOR ACCOMMODATIONS					
STATE	number	October	60,198	2.2	2.2
Oahu	number	October	35,761	4.0	3.3
Waikiki	number	October	31,846	5.7	5.8
Maui (includes 12 on Lanai)	number	October	11,960	−0.8	5.6
Molokai	number	October	626	−0.5	1.5
Hawaii	number	October	7,243	−1.7	1.7
Kauai	number	October	4,608	3.0	−12.3
HOTEL OCCUPANCY					
STATE	percent	December	66.12	1.9	2.3

p = preliminary.
[1]Estimated Westbound.

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CURRENT BUSINESS TRENDS

This month's data provided continued evidence of Hawaii's progress towards economic recovery. Moderate, but definite, improvement was visible in major industries such as tourism, sugar, and real estate. Likewise, overall economic indicators also showed positive trends. Labor force data, the consumer price index, total personal income, gross business receipts, and tax collections all improved.

Tourism, Hawaii's most significant economic sector, showed strong gains in December. A record 392,506 visitors stayed overnight or longer, representing a 14.5 percent increase over the previous December. December's data brought the annual tourist count to 4,357,184, a healthy 2.7 percent gain over 1982. Considering the size of the tourist market, that represented a gain of 114,268 persons. An increased number of visitors from the Mainland, Canada, and Europe accounted for the rise; westbound visitors totaled 3,404,434, an over-the-year increase of 3.8 percent. Eastbound visitors, on the other hand, totaled a disappointing 952,750, an over-the-year decrease of 1.2 percent. The data gave credence to recent growing concern about a softening of the Japanese market. Among resort destinations, competition to attract visitors from Japan is extremely intense. Other destinations such as Guam and Saipan appear to have cut into Hawaii's share.

Travel to the Neighbor Islands exhibited an upward trend during December. The annual visitor count for Maui increased by 5.9 percent. Big Island visitor traffic increased by 5.0 percent over the year, while visitors to Kauai dropped by 5.7 percent reflecting the devastating effects of Hurricane Iwa and the publicity that followed.

The sugar industry reported favorable economic trends during 1983, both in terms of annual production, which grew by 6.2 percent, and raw sugar prices, which increased by 3.1 percent in December. However, as discussed in the feature story below, the industry still faces problems of long-term profitability. Pineapple, on the other hand, continued to decline. Processed pineapple showed a decline of 3.6 percent as of November, 1983, while fresh pineapple was down by 5.7 percent for the year. January data for fresh pineapple currently show a deficit of 19.9 percent from the previous year.

Growth in the construction industry, while encouraging, has been predominantly

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
HOTEL OCCUPANCY (continued)					
Oahu	percent	December	76.15	10.0	6.1
Maui	percent	December	64.22	−12.1	−5.5
Hawaii	percent	December	38.83	−14.3	−6.0
Kauai	percent	December	45.90	−11.3	6.0
DEFENSE EXPENDITURES					
APPROPRIATED FUNDS TOTAL	mil. $	4th Qtr.	474.0p*	−0.3	5.8
Military Payroll	mil. $	4th Qtr.	202.1p*	−2.6	9.9
Civilian Payroll	mil. $	4th Qtr.	153.7p*	7.4	5.5
Local Purchases	mil. $	4th Qtr.	118.1p*	−5.5	−0.3
SUGAR					
SUGAR PRODUCTION	thous. tons	Jan.-Dec.	1,044	.....	6.2
N. Y. RAW SUGAR PRICE	$/ton	December	429.50	1.6	3.1
PINEAPPLE SHIPMENTS					
CANNED[2]	mil. $	Jan.-Nov.	169.0	.....	−3.6
FRESH	thous. lbs.	January	15,424	−8.8	−19.9
DIVERSIFIED AGRICULTURE					
CROPS					
Flowers & Nursery Products (wholesale)	thous. $	1982	30,559	.....	3.7
Anthurium Outshipments[3]	th. dozens	Jan.-Dec.	1,720.1	.....	−1.4
Potted Foliage[3]	thous. $	1982	8,820	.....	21.4
Other[4]	thous. $	1982	16,106	.....	−4.8
Fruits & Nuts	thous. $	1982	41,982	.....	0.0
Papaya Sales	th. lbs.	Jan.-Dec.	44,880	.....	0.2
Average Farm Price	cents/lb.	December	21.0	20.0	10.5
Macadamia Nut Sales (in shell)	th. lbs.	1983	38,160	.....	3.9
Average Farm Price	cents/lb.	1983	68.0	.....	−8.0
Other[5]	thous. $	1982	3,362	.....	8.4
Vegetable and Melon Production[6]	th. lbs.	Jan.-Dec.	67,800	.....	21.9
Other Crop Sales[7]	thous. $	1982	8,453	.....	−23.0
LIVESTOCK					
Beef Production (dressed wt.)	th. lbs.	Jan.-Dec.	31,398	.....	10.1
Average Farm Price (feedlot beef)	cents/lb.	December	95.0	3.3	−2.1
Hog Production (dressed wt.)	th. lbs.	Jan.-Dec.	6,145	.....	1.9
Average Farm Price	cents/lb.	December	102.5	−0.5	1.0
Milk Production	mil. lbs.	Jan.-Dec.	148.7	.....	3.3
Average Price Sold to Plants	$/100 lbs.	December	19.96	−4.3	−2.4
Egg Production	mil.	Jan.-Dec.	199.4	.....	−0.3
Average Farm Price	cents/doz.	December	86.0	3.0	−0.6
Other Livestock Sales[8]	thous. $	1982	5,814	.....	−1.3
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE	mil. $	Jan.-Nov.	1,237.2	.....	2.4
PRIVATE PERMITS AUTHORIZED					
RESIDENTIAL					
STATE	thous. $	Jan.-Dec.	379,766	.....	15.9
C&C of Honolulu	thous. $	Jan.-Dec.	213,083	.....	5.1
Maui County	thous. $	Jan.-Dec.	38,814	.....	8.5
Hawaii County	thous. $	Jan.-Dec.	56,853	.....	−6.9
Kauai County	thous. $	Jan.-Dec.	71,015	.....	153.4
SINGLE FAMILY UNITS					
STATE	number	Jan.-Dec.	3,276	.....	45.3
C&C of Honolulu	number	Jan.-Dec.	1,567	.....	125.5
Maui County	number	Jan.-Dec.	547	.....	3.2
Hawaii County	number	Jan.-Dec.	880	.....	10.0
Kauai County	number	Jan.-Dec.	282	.....	22.6
MULTIPLE FAMILY UNITS					
STATE	number	Jan.-Dec.	2,031	.....	−32.5
C&C of Honolulu	number	Jan.-Dec.	1,832	.....	−27.3
Maui County	number	Jan.-Dec.	24	.....	−80.3
Hawaii County	number	Jan.-Dec.	96	.....	−61.4
Kauai County	number	Jan.-Dec.	79	.....	−33.1
NONRESIDENTIAL					
STATE	thous. $	Jan.-Dec.	304,111	.....	−6.6
C&C of Honolulu	thous. $	Jan.-Dec.	153,677	.....	−36.0
Maui County	thous. $	Jan.-Dec.	52,435	.....	−4.5
Hawaii County	thous. $	Jan.-Dec.	31,163	.....	120.2
Kauai County	thous. $	Jan.-Dec.	66,835	.....	312.3
PUBLIC CONTRACTS AWARDED					
TOTAL GOVERNMENT PROJECTS BY LEVEL OF GOVERNMENT	thous. $	January	10,523.9	.....	−79.3

p = preliminary.
*Coast Guard figures not included.
[2]Gross taxable income valued at time of shipment.
[3]Potted foliage grown for indoor or patio use.
[4]Includes cut flowers, cut orchids, lei flowers, cut foliage, other potted plants, unfinished flower and foliage stock, and other nursery products.
[5]Includes avocadoes, bananas, guavas, oranges, passion fruit, and tangerines.
[6]Includes snap beans, cabbage, celery, sweet corn, cucumbers, lettuce, onions, green peppers, tomatoes, and watermelons.
[7]Includes coffee, taro, feed and forage crops, and forest products.
[8]Includes broilers and chickens, turkeys, sheep, wool, horses, honey, and beeswax.

in nominal rather than real terms during 1983. The total dollar value of construction put in place for the January-November period grew by 2.4 percent from $1.21 billion to $1.24 billion. However, Construction-Cost-Index data suggest that the apparent growth was due to cost inflation rather than from real growth in construction activity. Construction costs for single-family homes grew 6.6 percent over the year, while construction costs for high-rise units showed an 8.8 percent advance, far outpacing the 2.4 percent increase in dollar value of construction. Construction employment also reflected a downward trend with a substantial 6.7 percent decline in jobs during 1983, dropping from 18,000 jobs to 16,800 jobs.

However, preliminary indications are that a positive upswing in construction can be expected. Real estate sales and single-family permit authorizations, both leading indicators, showed strong over-the-year increases.

Real estate sales, both in terms of the sale and resale of houses and condominiums, showed strong growth in 1983, as the economy picked up and mortgage rates declined. On Oahu, the sale of new homes jumped by 26.8 percent, and new condominiums by an impressive 147.1 percent over the previous year. Resale activity also increased markedly: statewide in 1983, single family resales were up by 22.4 percent, and condominium resales grew by 23.0 percent.

Likewise, permits for the construction of single-family residences grew by 45.3 percent between 1982 and 1983. In contrast, the condominium and nonresidential sectors are currently in an oversupply situation, having experienced over-the-year deficits of 32.5 percent and 6.6 percent respectively. Limited growth in nonresidential construction is expected until demand increases and existing inventories diminish. Government construction showed a drastic 79.3 percent drop between January 1983 and January 1984. Part of this was due to the fact that January 1983 was an exceptionally high month, making the level of contracts awarded in January 1984 look lower in comparison.

On the other hand, on a more positive note, the Consumer Price Index (CPI) exhibited minimal gains since the last bimonthly survey. The index for All Urban Consumers grew by 0.7 percent between October and December of 1983, and by 3.1 percent since the previous December. The annual average came to a mere 2.2 percent. On the other hand, the CPI for Urban Wage and Clerical Workers increased by 0.8 percent over the past two months. On an annual basis, the average growth was 4.0 percent, the lowest inflation rate in a decade.

Total Personal Income (TPI) figures for the third quarter indicated a modest rise for Hawaii's workers. TPI grew 1.2 percent over the quarter and 5.6 compared to the third quarter of 1982. Given the low inflation rate of 2.2 percent, workers enjoyed modest but real gains in income.

December's labor force data showed the

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
PUBLIC CONTRACT AWARDED (continued)					
FEDERAL	thous. $	January	589.8	.....	−84.0
STATE	thous. $	January	1,639.8	.....	−95.2
COUNTY	thous. $	January	8,294.4	.....	−36.3
BY LOCATION OF PROJECT					
C&C of Honolulu	thous. $	January	7,274.9	.....	−81.9
Maui County	thous. $	January	2,233.4	.....	−11.5
Hawaii County	thous. $	January	946.6	.....	−87.8
Kauai County	thous. $	January	69.0	.....	−45.6
HONOLULU CONSTRUCTION COST INDEXES					
SINGLE FAMILY	1967 = 100	January	340.2	0.2	7.1
HIGH-RISE	1967 = 100	January	360.0	0.3	4.8
REAL ESTATE					
OAHU: New Sales					
Single Family	number	Jan.-Dec.	1,026	.....	26.8
Condominium	number	Jan.-Dec.	2,254	.....	147.1
Resales					
Single Family	number	Jan.-Dec.	1,582	.....	13.6
Average Price	dollars	Jan.-Dec.	183,742	.....	6.5
Condominium	number	Jan.-Dec.	2,102	.....	12.6
Average Price	dollars	Jan.-Dec.	103,607	.....	−0.5
MAUI: Resales					
Single Family	number	Jan.-Dec.	185	.....	79.6
Average Price	dollars	Jan.-Dec.	155,095	.....	14.9
Condominium	number	Jan.-Dec.	381	.....	90.5
Average Price	dollars	Jan.-Dec.	151,169	.....	−1.5
HAWAII: Resales					
Single Family	number	Jan.-Dec.	378	.....	43.7
Average Price	dollars	Jan.-Dec.	91,796	.....	−5.3
Condominium	number	Jan.-Dec.	127	.....	149.0
Average Price	dollars	Jan.-Dec.	95,535	.....	−23.0
KAUAI: Resales					
Single Family	number	Jan.-Dec.	55	.....	41.0
Average Price	dollars	Jan.-Dec.	124,539	.....	10.7
Condominium	number	Jan.-Dec.	28	.....	3.7
Average Price	dollars	Jan.-Dec.	141,964	.....	−12.6
BUSINESS SALES					
GROSS BUSINESS RECEIPTS	mil. $	Jan.-Nov.	19,725.0	.....	4.2
DIVERSIFIED MANUFACTURING	mil. $	Jan.-Nov.	469.6	.....	−6.5
DIVERSIFIED AGRICULTURE	mil. $	Jan.-Nov.	202.8	.....	27.3
RETAILING	mil. $	Jan.-Nov.	7,075.4	.....	4.2
WHOLESALING	mil. $	Jan.-Nov.	4,868.3	.....	0.8
SERVICES	mil. $	Jan.-Nov.	4,447.0	.....	7.8
OAHU NEW CAR SALES	number	November	4,599	60.8	33.1
PUBLIC UTILITIES					
ELECTRICITY GENERATED	mil. kwh.	December	587.5	1.5	6.3
GAS SALES	th. therms	December	3,971.6	−1.2	4.9
TELEPHONE LINES IN SERVICE	thous.	December	458.3	0.4	2.9
HONOLULU PRICES					
HONOLULU CONSUMER PRICE INDEX					
Urban Wage Earners and Clerical Workers (Revised), All Items	1967 = 100	December	288.2	0.8*	6.3
All Urban Consumers, All Items	1967 = 100	December	278.4	0.7*	3.1

*Compared to October 1983.

Sources:
Tourism—Hawaii Visitors Bureau, Pannell, Kerr, Forster.
Defense—Reports from various branches of the armed forces.
Sugar—Hawaiian Sugar Planters' Association.
Pineapple—Hawaii State Department of Taxation, Hawaii State Department of Agriculture.
Diversified Agriculture—Hawaii State Department of Agriculture.
Construction—Hawaii State Department of Taxation, Honolulu County Building Department, Hawaii, Kauai, and Maui County departments of public works.
Real Estate—Monitor Hawaii, Inc. Locations Inc., First Hawaiian Bank, Research Department.
Business Sales—Hawaii State Department of Taxation, Cardinal Mailing Services, Ltd.
Public Utilities—Hawaiian Electric Company, Inc. Citizens Utilities Company, Molokai Electric Co., Ltd. Gasco, Inc. Hawaiian Telephone Company.
Honolulu Prices—U.S. Department of Labor, Bureau of Labor Statistics.

usual seasonal improvements. Employment increased and unemployment decreased as retailers hired for the Christmas sales. As a result, the unemployment rate fell from 6.1 percent to 5.5 percent between November and December. Overall, unemployment rates for December of 1984 were 16.7 percent lower than for December of 1983.

SUGAR

Annual data for the sugar industry showed significant improvements in both output and prices. This provided some basis of hope for an ailing industry that suffered a $90 million loss in 1981, and a $1.6 million loss in 1982.

Sugarcane production increased by 6 percent between 1982 and 1983. Total production in 1983 was 1,044,000 tons, up 61,000 tons over the 982,913 tons of the prior year. Although it was the second driest year, statewide, since 1917, adequate rainfall in the mountains helped to maintain adequate irrigation systems, and adequate soil moisture levels. Additional factors included a new yield record of 11.25 tons of sugar per acre, a 13 percent increase over the previous record of 11.12 tons per acre set in 1966. Contributing to the higher yields were improved farming practices, new, more robust cane varieties, and greater cost efficiency in harvesting and milling operations.

Prices for sugar also improved in 1983. The New York raw sugar price increased by 10.5 percent from an average of 20.0 cents a pound in 1982 to 22.1 cents a pound in 1983. Price supports set by the Farm Act of 1982 were a crucial factor in maintaining domestic sugar prices. They shielded the American market from the estimated 15 million-ton sugar glut prevalent during 1983, and the depressed world market price, which ranged between 6 to 8 cents a pound.

The result was an improvement in year-to-year revenues. Sugar revenues stood at $395.8 million, a 14 percent increase over the $346.5 earned in 1982. Meanwhile, molasses revenues increased by 78 percent as a result of higher European demand and the summer drought in the American corn belt. On the other hand, electricity sales decreased by 3 percent from the previous year. In all, total industry revenues stood at $423.4 million, a 15 percent improvement over the $368.6 earned in 1982.

In terms of costs, continuing efforts to reduce expenses such as the closing of the Puna Sugar Co., extension of employee work furloughs, withdrawal or conversion of high-cost marginal lands, deferral of negotiated wage increases, and improvements in operating costs and productivity, succeeded in holding cost increases to a

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population and personal income in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
POPULATION					
DE FACTO—STATE	thous.	July 1, 1982	1,084p	.....	1.9
TOTAL RESIDENT—STATE	thous.	July 1, 1982	994p	.....	1.5
C&C of Honolulu	thous.	July 1, 1982	775p	.....	1.0
Maui County	thous.	July 1, 1982	80p	.....	5.6
Hawaii County	thous.	July 1, 1982	98p	.....	2.3
Kauai County	thous.	July 1, 1982	41p	.....	2.2
CIVILIAN RESIDENT—STATE	thous.	July 1, 1982	939p	.....	1.8
MILITARY PERSONNEL—STATE	number	July 1, 1982	61,107	.....	−0.7
Ashore	number	July 1, 1982	54,184	.....	17.1
Afloat	number	July 1, 1982	6,923	.....	−54.7
CIVILIAN DEPENDENTS OF MILITARY	number	July 1, 1982	66,709	.....	3.7
FOREIGN IMMIGRATION[1]	number	12 mo. total for period ending 1/84	5,494	.....	−15.3
PERSONAL INCOME					
TOTAL PERSONAL INCOME[2,3]	mil. $	3rd Qtr.	12,391	1.2	5.6
Employment Income[4]	mil. $	3rd Qtr.	9,146	0.8	5.9
Manufacturing	mil. $	3rd Qtr.	431	0.5	−0.5
Construction & Mining[5]	mil. $	3rd Qtr.	513	0.4	6.9
Wholesale	mil. $	3rd Qtr.	406	2.5	8.3
Retail	mil. $	3rd Qtr.	1,064	2.1	8.8
Finance, Ins. & Real Estate	mil. $	3rd Qtr.	636	0.5	14.2
Trans., Comm., & Util.	mil. $	3rd Qtr.	815	1.4	2.5
Services	mil. $	3rd Qtr.	1,954	2.5	7.4
Farm & Other	mil. $	3rd Qtr.	315	1.3	9.0
Federal Civilian	mil. $	3rd Qtr.	863	0.1	6.7
Federal Military	mil. $	3rd Qtr.	1,051	−3.1	0.2
State & Local	mil. $	3rd Qtr.	1,098	0.6	4.4
Property Income (Dividends, Interest, Rent)	mil. $	3rd Qtr.	2,182	3.0	3.0
Transfer Payments (1,642) minus Personal Contributions For Social Ins. (579)	mil. $	3rd Qtr.	1,063	0.1	7.9
PER CAPITA PERSONAL INCOME					
STATE PER CAPITA	dollars	1982	11,602	.....	5.2
PER CAPITA BY COUNTY					
C&C of Honolulu	dollars	1981	11,553	.....	9.0
Maui County	dollars	1981	9,702	.....	7.2
Hawaii County	dollars	1981	8,728	.....	5.0
Kauai County	dollars	1981	9,132	.....	7.2

p = preliminary.

**Total personal income and all components are seasonally adjusted at annual rates.

[1]These immigration statistics include only those entering Honolulu ports and do not include status changes.

[2]Includes wage and salary disbursements, proprietors' income, and other labor income.

[3]Income from mining not shown separately to avoid disclosure of confidential information.

Sources:

Population—*Hawaii State Department of Planning and Economic Development. U.S. Bureau of the Census. U.S. Immigration and Naturalization Service.*

Personal Income—*U.S. Department of Commerce, Bureau of Economic Analysis.*

minimum. Production costs increased only three-tenths of a percent, to $394 million, resulting in a net profit of $29 million to the industry.

However, according to Robert Pfeiffer of the Hawaiian Sugar Planters' Association, the data does not reflect the total situation. $28 million of the $29 million profit was from the sale of molasses and electricity, rather than from sugar directly. In addition, while the industry as a whole might have shown a net profit, in fact, only half of Hawaii's fourteen plantations were in the black. The other half suffered losses.

Pfeiffer also made the point that the "bottom line" is the net return on total investment. Using this measure, he said that the return on investments was only 2.7 percent, "meager by any standards." This fell decisively below the food processing industry average of 13.5 percent, and below even such non-risk investments as municipal bonds and government securities.

This level of profitability is not adequate if the industry is to survive in the long run. Four plantations have closed over the past 15 years due to inadequate returns, and the pattern may continue. According to Pfeiffer the industry "continues to face a major crisis."

Survival of the sugar industry will require continued effort. Plantations will have to phase out marginal lands, plant better varieties of cane, utilitize more efficient harvesting methods, and plant alternate crops. Alternative uses of marginal land such as housing and resort development will also be important in supporting sugar revenues and strengthening the employment base. The industry is making concerted efforts to return to acceptable levels of profitability. Given meaningful support by the state and county governments, there is no reason why sugar cannot continue to make a strong contribution to the Hawaiian economy.

MACADAMIA NUTS

Recent evidence on the major diversified agricultural crops confirms the growing importance of the macadamia nut industry in efforts to diversify the state economy. During the last ten years the number of farms increased 50 percent from 400 to 600, the number of acres planted grew 60 percent from 9,890 to 15,800, the number of acres of commercially bearing trees rose 84 percent from 5,760 to 10,600, and the yield per acre improved 29 percent from 2,800 pounds to 3,600 pounds.

The situation looked even better in 1983. According to data recently released by the Hawaii Agricultural Reporting Service (HARS), macadamia nut production had an-

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employment and unemployment in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
EMPLOYMENT IN STATE AND COUNTIES (number of persons)					
STATE					
Civilian Labor Force	thous.	December	468.4p	−0.1	2.4
Employment	thous.	December	442.4p	0.5	3.5
Unemployment	thous.	December	25.9p	−9.1	−14.1
Unemployment Rate	percent	December	5.5p	−9.8	−16.7
C & C OF HONOLULU					
Civilian Labor Force	thous.	December	360.0p	−0.1	2.5
Employment	thous.	December	342.0p	0.5	3.2
Unemployment	thous.	December	18.0p	−11.3	−10.2
Unemployment Rate	percent	December	5.0p	−10.7	−12.3
MAUI COUNTY					
Civilian Labor Force	thous.	December	42.3p	−0.9	1.3
Employment	thous.	December	39.5p	0.5	3.0
Unemployment	thous.	December	2.9p	−14.7	−14.7
Unemployment Rate	percent	December	6.8p	−15.0	−17.1
HAWAII COUNTY					
Civilian Labor Force	thous.	December	45.3p	0.7	2.8
Employment	thous.	December	41.9p	0.5	5.0
Unemployment	thous.	December	3.4p	3.0	−18.1
Unemployment Rate	percent	December	7.6p	2.7	−19.1
KAUAI COUNTY					
Civilian Labor Force	thous.	December	20.7p	1.0	2.5
Employment	thous.	December	19.1p	0.0	7.6
Unemployment	thous.	December	1.6p	6.7	−36.0
Unemployment Rate	percent	December	7.9p	9.7	−35.8
JOB COUNT BY INDUSTRY					
TOTAL JOBS—STATE	thous.	December	443.2p	0.4	−0.1
SUGAR (mill and field)	thous.	December	7.7p	−0.6	−8.9
PINEAPPLE (cannery and field)	thous.	December	4.0p	6.7	1.3
DIVERSIFIED MANUFACTURING (excluding sugar and pineapple)	thous.	December	15.8p	1.0	0.0
Durable Goods	thous.	December	3.4p	3.1	−6.9
Non-Durable Goods	thous.	December	12.4p	0.8	2.5
Apparel and Textiles	thous.	December	2.7p	0.0	−3.6
DIVERSIFIED AGRICULTURE (excluding sugar and pineapple, but including agricultural self-employed)	thous.	December	8.6p	0.6	0.0
CONTRACT CONSTRUCTION	thous.	December	16.3p	−3.3	−7.6
TRANSPORTATION	thous.	December	20.6p	0.0	−5.7
COMMUNICATION	thous.	December	7.2p	0.0	−2.0
UTILITIES	thous.	December	2.4p	0.0	−5.9
RETAIL TRADE	thous.	December	90.2p	1.6	1.5
WHOLESALE TRADE	thous.	December	19.0p	−0.8	−0.3
FINANCE, INSURANCE AND REAL ESTATE	thous.	December	31.4p	0.6	−0.2
HOTEL SERVICES—STATE	thous.	December	26.2p	0.4	2.1
Honolulu County	thous.	December	14.8p	2.8	0.3
Maui County	thous.	December	6.4p	−3.0	−2.3
Hawaii County	thous.	December	3.0p	0.0	−3.2
Kauai County	thous.	December	1.9p	−5.0	65.2
OTHER SERVICES	thous.	December	74.8p	0.1	1.0
FEDERAL GOVERNMENT	thous.	December	32.2p	0.5	0.3
Civilian Agencies	thous.	December	11.6p	1.8	2.7
Defense Department	thous.	December	20.6p	−0.2	−1.0
STATE GOVERNMENT	thous.	December	47.6p	0.4	−0.6
COUNTY GOVERNMENT	thous.	December	12.6p	0.4	0.0
UNEMPLOYMENT INSURANCE CLAIMS AND PAYMENTS					
INSURED UNEMPLOYMENT (weekly average)	number	December	12,018	−24.2	−16.7
INTRASTATE INITIAL CLAIMS	number	December	5,029	−16.3	−42.7
INTERSTATE INITIAL CLAIMS	number	December	360	−7.5	−16.9
UNEMPLOYMENT INSURANCE BENEFITS	thous. $	December	6,338	−6.3	−6.2

p = preliminary.

Sources:
Employment, Job Count, and Unemployment Insurance—Hawaii State Department of Labor and Industrial Relations.

other record year. With approximately two-thirds of the crop in, HARS projected that 38 million pounds (on an in-shell basis) of macadamia nuts will be harvested during the 1983-1984 season, representing a 4 percent gain over the previous year. Favorable weather, higher yields per acre, and increased bearing acreage all contributed to the current record harvest.

Furthermore, due to heavy investment commitments, production is expected to expand even further. In 1979 and 1980 when macadamia nuts were in short supply and acreage in planting stood at 10,200 acres, over 2,700 acres of seedlings were planted, resulting in a 30 percent increase over existing acreage. It takes five years for seedlings to reach commercial production age, and another five years to reach full bearing potential. The 1979-1980 plantings are now beginning to produce quality crops and should peak in 1989, substantially raising production levels. Additionally, Alexander & Baldwin, Inc. recently announced that it "intends to become a major producer of macadamia nuts by the end of the decade and has identified at least 3,400 acres of under-utilized land that is well suited for production." The first plantings began in January of this year.

However, given the lag between market development and expansion in output, farm prices fell 8 percent from 74 cents a pound to 68 cents a pound in 1983. This is the lowest price in four consecutive seasons, and the second year of consecutive price declines. As a result, HARS projects a 4 percent decrease in value of sales for the 1983-1984 season from $27.1 million to $25.9 million, the first drop in eleven seasons. Thus, without a strong program of market expansion, it is clear that the industry is moving into a classic situation of product surplus and price deflation. Long run growth and consolidation in the industry will depend on an aggressive program of demand expansion.

Realizing the problem, major retailers have started aggressive marketing campaigns both locally and in Mainland markets. This past Christmas season, shoppers were lured with a variety of discounts, rebates, and coupons offering substantial price reductions on macadamia nuts and candies. Also, given the saturation in the local markets, major producers have expanded their attention to Mainland market development and promotion in anticipation of increased supplies.

If marketing catches up to production, the economic picture for macadamia nuts should improve markedly. The chances look good since the producers are major companies such as C. Brewer, Inc., Alexander & Baldwin, Inc., and Mac Farms (owned by a large Australian conglomerate, CRS Ltd.). They have the resources and the marketing skills necessary for national-level product development, marketing, and distribution.

BUSINESS ACTIVITY

Data on gross business transactions in Hawaii provide further evidence of improvements in the Hawaiian economy in 1983. Starting from a low point in the first

public assistance in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
PUBLIC ASSISTANCE					
RECIPIENTS[1]					
Income Maintenance	no./persons	December	62,952	−0.4	−2.7
Services	no./cases	4th Qtr.	6,829	−4.0	8.2
Medical	no./patients	December	53,225	13.4	1.4
Food Stamps	no./persons	November	101,171	1.4	0.5
PAYMENTS					
Income Maintenance	thous. $	December	8,863.6	0.2	−2.6
Services	thous. $	4th Qtr.	3,632.6	6.4	−1.6
Medical	thous. $	December	15,893.3	29.5	7.3
Food Stamps	thous. $	November	6,746.1	−0.5	−3.4

[1]Count of recipients is duplicated. A person may be counted in each category.

Sources:
Public Assistance—Hawaii State Department of Social Services and Housing.

banking and finance in hawaii

FINANCE					
COMMERCIAL BANKS					
Total Deposits					
STATE	mil. $	December	5,997.2	5.3	12.9
Honolulu County	mil. $	December	4,980.4	6.2	12.7
Maui County	mil. $	December	360.2	0.3	10.9
Hawaii County	mil. $	December	441.6	2.2	15.9
Kauai County	mil. $	December	215.0	−0.2	16.0
Debits to Demand Deposits					
STATE	mil. $	December	7,571.6	10.4	−5.8
Honolulu County	mil. $	December	6,946.1	10.3	−6.0
Maui County	mil. $	December	264.0	11.4	−12.9
Hawaii County	mil. $	December	257.3	10.8	2.5
Kauai County	mil. $	December	104.2	9.6	3.9
Loans Outstanding	mil. $	4th Qtr.	3,765	3.4	2.5
Real estate	mil. $	4th Qtr.	1,652	0.0	3.1
Consumer	mil. $	4th Qtr.	853	4.9	3.9
Commercial & Industrial	mil. $	4th Qtr.	1,152	9.9	7.2
Other	mil. $	4th Qtr.	108	−15.4	−38.8
SAVINGS & LOAN ASSOCIATIONS[1]					
Total Deposits	mil. $	December	3,673.7	1.2	8.6
Loans	mil. $	December	64.5	84.6	116.7
Residential	mil. $	December	44.5	177.6	215.2
Other	mil. $	December	19.9	5.6	27.6
STATE TAX COLLECTIONS[2]					
TAX COLLECTIONS—STATE	thous. $	Jan.-Dec.	1,264.7	.....	9.9
Honolulu County	thous. $	Jan.-Dec.	1,108.2	.....	8.3
Maui County	thous. $	Jan.-Dec.	68.2	.....	29.1
Hawaii County	thous. $	Jan.-Dec.	65.8	.....	25.3
Kauai County	thous. $	Jan.-Dec.	22.5	.....	1.4

[1]Includes data for both Hawaii and Guam.
[2]Excludes property taxes which were formerly collected by the State but are now collected by the Counties.

Sources:
Finance—Hawaii State Department of Commerce and Consumer Affairs. Federal Deposit Insurance Corporation reports. Federal Home Loan Bank of Seattle.
State Tax Collections—Hawaii State Department of Taxation.

quarter of −1.3 percent compared to 1982, taxable transactions gained momentum in the second quarter, and sustained that upward trend through November. For the January-November period, local business reported a 4.2 percent increase in transactions. During the same period, the consumer price index for Honolulu rose an estimated 2.8 percent, indicating strong real growth in business activity.

On an individual basis, all sectors showed some improvement over 1982. The only exception was diversified manufacturing, which fell by 6.5 percent over the year from $502 million to $470 million principally due to cutbacks in sugar and pineapple processing. However, this represented an improvement when compared to the 14.5 percent loss in business activity seen during the first eleven months of 1982. Diversified agriculture experienced the greatest expansion with a 27.3 percent surge in activity from $159 million to $203 million. The retail sector, the largest business area in Hawaii, improved by 4.2 percent from $6.8 billion to $7.1 billion. Wholesale business transactions increased by a modest 0.8 percent during the January-November period from $4.8 billion to $4.9 billion, but, again, this was a favorable trend relative to the 11.6 percent decline in 1982. The service sector grew by a substantial 7.8 percent over the year from $4.1 billion to $4.4 billion.

As would be expected, the surge in business activity stimulated a simultaneous growth in state tax collections. Total collections showed solid gains during 1983, increasing by 9.9 percent over 1982 from $1.2 billion to $1.3 billion. 1983's improved picture was again in part due to comparison with 1982's poor performance. 1982 was the only year in this decade to experience decreased revenues. Previously, the state coffers enjoyed a steady growth in taxes. Between 1973 and 1981 collections showed an annual average growth of 12.2 percent.

Tax revenue increases were seen in all counties during 1983. Maui County had the most impressive annual growth rate with a 29.1 percent jump in tax collections from $53 million to $68 million. Hawaii County was a relatively close second with a 25.3 percent increase, growing from $52 million to $66 million. Oahu's gain was a more modest 8.3 percent from $1.0 billion to $1.1 billion. Kauai County reported the smallest increase of 1.4 percent, growing from $22.2 million to $22.5 million. This was in part due to a large displacement of funds into an escrow account for the protested liquor tax which is currently before the U.S. Supreme Court.

The state relies heavily on general excise and use tax collections. They comprised approximately half of the state's revenues for 1983. According to data from the State Department of Taxation, general excise tax collections increased by 7.1 percent over 1982 from $575 million to $616 million. Other components showed divergent trends: corporate income tax collections fell by 19.6 percent from $35 million to $28 million, while individual income taxes increased by 20.7 percent over the year from $297 million to $358 million.

ECONOMIC INDICATORS

A Bimonthly Report on Current Economic Conditions in Hawaii
by the Research Department, First Hawaiian Bank

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Report of the Governor's Committee on Doing Business in Hawaii

Prospects for Hawaii's economic future received a major boost with the publication of the *Report to the Governor on Hawaii's Strengths and Weaknesses as a Business Location* by the Governor's Committee on Doing Business in Hawaii. The mandate of the Committee was to examine all factors affecting business in Hawaii. The result was a constructive discussion of the positive and negative aspects of the Hawaiian economy, an estimation of their relative importance, and specific suggestions for improving the business climate in Hawaii.

The major strengths of Hawaii as a business environment were Hawaii's unequaled quality of life, a strong visitor industry, and a stable military presence. Other aspects of Hawaii conducive to business included positive business and labor relations, the quality of the labor force, Hawaii's locational advantages as a communications center, potentially developable natural resources, and strong scientific and educational resources.

On the other hand, certain weaknesses in Hawaii's business environment deserving government attention were identified. They included: (1) the high cost of doing business in Hawaii; (2) the state tax structure; (3) unsympathetic government bureaucracy; and (4) the permit process.

In addition to the already high costs of doing business due to Hawaii's isolated location, businesses must bear additional cost burdens due to unusually high State employee-benefit requirements. Major examples include high worker's compensation insurance, unemployment insurance, and medical insurance requirements. These requirements drive up business costs and create serious obstacles to business profitability.

The present tax system is widely perceived as anti-business, particularly the general excise tax, upon which the State depends for the majority of its revenues. The 1968 report, *Hawaii's General Excise Tax: Problems and Prescriptions*, stated that: (1) general excise tax liabilities are distributed indiscriminately and capriciously; (2) the general excise tax bears little relationship to the income-creating potential of businesses, and (3) the tax represents a de-facto investment tax on new and expanding firms.

There is also a perception that businesses are actively thwarted by many of those who make and enforce the laws. The general overregulation of business, as well as the failure of government officials to set a pro-business tone for their subordinates, all create serious obstacles to business development.

Finally, state and county land-use and construction-permit policies create unnecessary delays, increase costs, and often prevent well-conceived and socially-beneficial development projects from being implemented. These problems are exacerbated by overlapping and often conflicting jurisdictional authorities, the "not-in-my-backyard" attitude of some communities toward development in their areas, and misguided efforts to "preserve" surplus agricultural lands.

The major recommendations of the Committee focussed on: (1) more effective planning and promotion of economic development; (2) reexamining Hawaii's land-use needs; and (3) bringing worker's compensation insurance rates under control.

More aggressive promotion of economic development at the state level is needed, and will require a business and economic-development advocate with direct access to the governor, and the confidence of the business community. Recent changes in the organization of the Department of Planning and Economic Development (DPED), with planning and economic-development functions invested in separate deputy directorships, were seen as positive steps toward improving DPED's role as an advocate for business development and economic growth.

Furthermore, advocacy efforts need to be guided by more detailed and tactical strategies for the expansion and diversification of the state's economy. The foundations for these strategies are already laid out in the Hawaii State Plan, and the related State Functional Plans. Maximum efforts should be directed toward the ratification of the Functional Plans as a prerequisite to the development of more detailed industrial-development strategies. Planning emphasis should be directed more toward implementation strategies designed to mobilize the private- and public-sector resources necessary to capitalize on Hawaii's unique economic resources.

An inventory of agricultural and conservation lands should be conducted in order to define land necessary to support future growth in agriculture, as well as housing and urban use. Marginal agricultural lands, deemed uneconomic for agricultural use, should be zoned for urban uses.

Finally, the Committee felt that the administration of the worker's compensation program, and the law itself, should be carefully examined to improve the level and delivery of benefits, while reducing their cost.

These recommendations constitute only a first step towards a constructive resolution of Hawaii's economic future. However, it is hoped that they will form the foundation for the important work yet to be done by other committees and commissions, and, ultimately, an improvement in the climate for business in Hawaii.

ECONOMIC INDICATORS

ANNUAL SUPPLEMENT

HAWAII IN 1983: A Year-end Summary of Hawaii's Economic Indicators and Outlook for 1984

Overall Trends

Major economic indicators show that the Hawaiian economy experienced its first year of economic expansion in 1983 after two years of recession in 1981 and 1982. In 1983, the total volume of taxable transactions in the economy increased by 3.4 percent from $20.7 billion to $21.4 billion. Given the small increase in the Honolulu Consumer Price Index during the year of 2.2 percent, real growth in overall business activity experienced a moderate but positive increase of 1.2 percent. The fact that real growth in taxable transactions remained negative for three years prior to 1983 underlies the significance of the upturn in 1983. In 1980, 1981, and 1982, growth in taxable transactions stood at −1.7, −0.3, and −6.9 percent respectively, before turning positive in 1983.

Total personal income also saw strong growth by the third quarter of 1983 of 6.1 percent from $11.5 to $12.2 billion. Given the low inflation rate, workers enjoyed a 3.9 percent gain in real income. As in the case of business activity, real income gains in 1983 showed significant positive improvement over the years 1980, 1981, and 1982, when changes in real income stood at 1.8, −1.0, and 0.8 percent respectively.

Along with changes in income, employment appears to have shown moderate improvement. The civilian labor force saw a 2.8 percent increase over the year, while the average unemployment rate fell from 6.7 to 6.4 percent in 1983. Overall job counts also saw a moderate increase of 1.1 percent from 440,450 to 445,100 jobs. This followed much lower growth rates of 0.2 and −1.0 in 1981 and 1982. Unemployment insurance claims also fell dramatically. Intrastate claims fell by 17.9 percent, and interstate claims fell by 3.9 percent. While the total of unemployment insurance benefits increased slightly by 3.7 percent in 1983, this reflected the increased utilization of special programs such as the Federal Supplemental Compensation Program and the Disaster Unemployment Assistance Program, designed to assist those temporarily out of work because of Hurricane Iwa.

The increased economic activity in the state was also reflected in a strong increase in over-the-year tax revenues of 9.9 percent. This followed a decline in state tax revenues in 1982 of 4.3 percent: the first decline in over ten years. Monthly average saving deposits in commercial banks also increased by 12.8 percent from $5.0 to $5.6 billion in 1983, largely due to interest-rate incentives related to bank deregulation policies in 1983. While debits to demand deposits, in terms of the use of checking accounts, declined slightly by 0.3 percent, bank loans saw a significant increase of 2.3 percent, principally in the areas of commercial and industrial loans (5.4 percent), real estate loans (4.5 percent), and consumer loans (1.2 percent).

Interest-Rate Sensitive Sectors

The initial phases of the Hawaiian economic recovery was based in large part on consumer confidence that the economy was improving, particularly with the drop in interest rates and the surge of economic activity in the national economy through the first and second quarters of 1983. The first signals of an upturn in the Hawaiian economy were therefore in interest-rate sensitive sectors such as consumer durables and real estate. Automobiles saw a strong cumulative increase of 15.3 percent for the first time in 1983 after five straight years of negative growth. Real estate sales also saw strong growth in 1983. New sales of single-family units saw an increase of 19.4 percent in 1983, while new condominium sales increased by 112.7 percent in the same period. Both single-family units and condominiums were into their second year of positive growth after hitting low points in 1981. Furthermore, resales of single-family and condominium units saw their first upturn after three straight years of negative growth. Single-family units saw a cumulative over-the-year increase of 23.1 percent, and condominium resales increased 20.1 percent in the same period.

In terms of new construction being planned, permits authorized for single-family units were up by 45.3 percent, indicating continuing strength in the single-family housing market. Permits for multiple-family units and nonresidential construction, however, were still down by 32.5 and 6.6 percent respectively, indicating continuing perceptions of an oversupply in the investor markets for hotels, condominiums and commercial construction.

Construction

Given the early stage of Hawaii's economic recovery, improvements in the roughly $1.3 billion dollar construction industry have been positive, but still very tentative. In spite of the fact that construction was coming back from the largest annual deficit of −16.5 percent in over ten years in 1982, over-the-year increases for the industry in 1983 in terms of gross revenues stood at only 0.8 percent. Furthermore, these gains were primarily in nominal terms as construction costs for single-family homes and high-rise buildings increased by 6.6 and 8.8 percent respectively. However, the fact that income and employment in the construction industry saw moderate increases of 3.5 and 0.6 percent in 1983 indicates that some growth was occurring. According to the Department of Planning and Economic Development (DPED), that growth occurred principally in terms of single-family units (82 percent), and additions and alterations to existing housing units (192 percent). Multi-family *(continued on next page)*

RESEARCH DEPARTMENT
March/April 1984

FIRST HAWAIIAN BANK
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U.S. ECONOMIC INDICATORS

Series	Unit	Period	1983	1982	Percent Change 1982-83
GENERAL BUSINESS INDICATORS					
COMPOSITE INDEX OF LEADING INDICATORS*	1967 = 100	monthly average	156.1	136.8	14.1
GROSS NATIONAL PRODUCT**					
In Current Dollars	bil. $	quarterly average	3,310.8	3,073.0	7.7
In 1972 Dollars	bil. $	quarterly average	1,535.1	1,485.4	3.3
PERSONAL INCOME**	bil. $	monthly average	2,742.1	2,578.6	6.3
RETAIL SALES*	mil. $	monthly average	97,808	89,640	9.1
BANKING AND CREDIT					
DEBITS TO DEMAND DEPOSITS**	bil. $	monthly average	61,873.1	52,981.6	16.8
BANK LOANS*	bil. $	end of period	1,131.7	1,042.0	8.6
AVERAGE PRIME RATE CHARGED BY BANKS	percent	monthly average	10.79	14.86	−27.4
CONSUMER INSTALLMENT DEBT*	mil. $	end of period	381,504	339,316	12.4
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE**	bil. $	monthly average	265.1	232.0	14.3
CONSTRUCTION COST INDEXES					
Residences	1967 = 100	monthly average	338.1	319.3	5.9
Apts. Hotel, Office Bldgs.	1967 = 100	monthly average	345.0	324.2	6.4
EMPLOYMENT					
CIVILIAN EMPLOYMENT*	thous.	monthly average	100,834	99,526	1.3
UNEMPLOYMENT*	thous.	monthly average	10,717	10,678	0.4
UNEMPLOYMENT RATE*	percent	monthly average	9.6	9.7	1.0
PRICES					
CONSUMER PRICE INDEX (All Items)					
Urban Wage Earners and Clerical Workers (Revised)	1967 = 100	monthly average	297.4	288.6	3.0
All Urban Consumers	1967 = 100	monthly average	298.4	289.1	3.2
PRODUCER PRICE INDEXES					
Finished Goods*	1967 = 100	monthly average	285.2	280.7	1.6
All Commodities	1967 = 100	monthly average	303.1	299.3	1.3

*Seasonally adjusted.
**Seasonally adjusted at annual rates.

Sources:
General Business Indicators—U.S. Department of Commerce.
Banking and Credit—Board of Governors of the Federal Reserve System.
Construction—U.S. Department of Commerce. The American Appraisal Company.
Employment and Prices—U.S. Department of Labor, Bureau of Labor Statistics.

BUSINESS ACTIVITIES IN HAWAII

TOURISM					
OVERNIGHT OR LONGER VISITORS	number	total	4,357,184	4,242,916	2.7
Westbound	number	total	3,404,434	3,278,519	3.8
Eastbound	number	total	952,750	964,397	−1.2
AVERAGE DAILY VISITOR CENSUS*	number	monthly average	na	94,506	.....
AVERAGE LENGTH OF STAY*	no. of days	monthly average	na	10.5	.....
MEETINGS ATTENDANCE	number	total	211,764	166,790	27.0
ORGANIZED GROUP TOURS	number	total	772,734	691,105	11.8
NEIGHBOR ISLAND VISITORS*					
Maui	number	total	1,702,792	1,608,222	5.9
Hawaii	number	total	739,050	703,901	5.0
Kauai	number	total	717,143	760,549	−5.7
VISITOR ACCOMMODATIONS					
STATE	number	October	60,198	58,927	2.2
Oahu	number	October	35,761	34,610	3.3
Waikiki	number	October	31,846	30,106	5.8
Maui (includes 11 on Lanai)	number	October	11,960	11,327	5.6
Molokai	number	October	626	617	1.5
Hawaii	number	October	7,243	7,119	1.7
Kauai	number	October	4,608	5,254	−12.3
HOTEL OCCUPANCY					
STATE	percent	monthly average	69.73	70.46	−1.0

na = not available.
*Estimated Westbound.

construction was still down by 75 percent, and commercial-industrial construction was down by 6 percent. The reason for the current weakness in construction was attributed to a falloff in the investor-condominium market, which not only comprises a larger proportion of Hawaiian construction compared to the U.S. average, but is more elastic with respect to interest rates than the owner-occupant market. Also, the large existing inventory of condominium, office and commercial space depressed commercial and industrial construction during 1983. Thus, while the owner-occupant segments of the market moved ahead in response to interest-rate easing in 1983, the condominium and commercial-investor market continued to remain depressed.

Prospects for 1984 will depend on movements in long-term interest rates, and rates of absorption of existing inventories. Given expectations of an uptrend in rates through the year, the impact on real estate sales will probably entail a stabilizing and tightening of markets, particularly as expectations of rising interest rates become more widespread. Construction activity in the rental, condominium, and nonresidential sectors of the market will probably remain relatively inactive in the short-run as existing inventories are absorbed, while owner-occupied housing, will continue to show low to moderate growth.

On the other hand, further strengthening and deepening of the economic expansion process, in terms of increased employment and investment will also depend on the outlook for Hawaiian exports. The major industries are discussed below.

Tourism

The $3.7 billion tourism industry saw moderate growth in 1983 with an annual 2.7 percent increase in overnight and longer visitors from 4.2 to 4.4 million visitors. Westbound visitors, who constitute 77 percent of the total tourist market, were up by 3.8 percent reflecting the economic recovery in Canada and the continental United States. However, eastbound visitors, who comprise 23 percent of the visitor market, were down by 1.2 percent reflecting both the balance-of-trade effects of the high valuation of the dollar, as well as growing diversification and competition in the Japanese travel market.

The effect of the increase in travelers was salutary to the economy. Convention travelers and organized group tours increased by 27 and 12 percent respectively. At the same time, over-the-year increases in hotel revenues stood at 3.7 percent, while employment in hotel services statewide increased by 1.1 percent in 1983. While occupancy rates for the state remained roughly stable at 70 percent, hotel-unit inventories grew by 2.2 percent from 58,927 to 60,198 units. New hotel construction, however, remained relatively flat in 1983, indicating that while the industry is turning up, it is still in the early stages of improvement. Increased investment in hotel construction will have to await longer-term stabilization in demand. The fact that the industry grew in spite of increases in average air fares to their highest

BUSINESS ACTIVITIES IN HAWAII (cont.)

Series	Unit	Period	1983	1982	Percent Change 1982-83
HOTEL OCCUPANCY (continued)					
Oahu	percent	monthly average	75.83	78.01	−2.8
Maui	percent	monthly average	75.21	73.87	1.8
Hawaii	percent	monthly average	44.66	44.15	1.2
Kauai	percent	monthly average	57.15	57.23	−0.1
DEFENSE EXPENDITURES					
APPROPRIATED FUNDS TOTAL	mil. $	total	1,903.5*	1,701.8*	11.9
Military Payroll	mil. $	total	782.0*	701.7*	11.4
Civilian Payroll	mil. $	total	571.6*	521.5*	9.6
Local Purchases	mil. $	total	549.9*	478.6*	14.9
SUGAR					
SUGAR PRODUCTION	thous. tons	total	1,044	983	6.2
N. Y. RAW SUGAR PRICE	$/ton	monthly average	440.90	398.82	10.6
PINEAPPLE SHIPMENTS					
CANNED	mil. $	total	174.2	189.3	−8.0
FRESH	thous. lbs.	total	239,063	253,410	−5.7
DIVERSIFIED AGRICULTURE					
CROPS					
Flowers & Nursery Products[3]					
wholesale	thous. $	total	na	30,559	.....
Anthurium Cuttonments	th. dozens	total	1,720.1	1,743.7	−1.4
Potted Foliage[4]	thous. $	total	na	8,820	.....
Other[5]	thous. $	total	na	16,106	.....
Fruits & Nuts	thous. $	total	na	41,982	.....
Papaya Sales	th. lbs.	total	44,880	44,770	0.2
Average Farm Price	cents/lb.	monthly average	26.6	25.1	6.0
Macadamia Nut Sales (in shell)	th. lbs.	total	38,160	36,720	3.9
Average Farm Price	cents/lb.	monthly average	68.0	73.9	−8.0
Other[6]	thous. $	total	na	3,362	.....
Vegetable and Melon Production[7]	th. lbs.	total	67,800	55,620	21.9
Other Crop Sales	thous. $	total	na	8,453	.....
LIVESTOCK					
Beef Production (dressed wt.)	th. lbs.	total	31,398	28,526	10.1
Average Farm Price (feeder steer)	cents/lb.	monthly average	100.0	105.5	−5.2
Hog Production (dressed wt.)	th. lbs.	total	6,145	6,032	1.9
Average Farm Price	cents/lb.	monthly average	101.5	99.0	2.5
Milk Production	mil. lbs.	total	148.7	144.0	3.3
Average Price (sold to Plants)	$/100 lbs.	monthly average	20.11	20.59	−2.3
Egg Production	mil.	total	199.4	200.0	−0.3
Average Farm Price	cents/doz.	monthly average	84.8	86.3	−1.7
Other Livestock Sales[8]	thous. $	total	na	5,814	.....
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE	mil. $	total	1,334.1	1,323.9	0.8
PRIVATE PERMITS AUTHORIZED					
RESIDENTIAL					
STATE	thous. $	total	379,766	327,577	15.9
C&C of Honolulu	thous. $	total	213,083	202,722	5.1
Maui County	thous. $	total	38,814	35,771	8.5
Hawaii County	thous. $	total	56,853	61,056	−6.9
Kauai County	thous. $	total	71,015	28,027	153.4
SINGLE FAMILY UNITS					
STATE	number	total	3,276	2,255	45.3
C&C of Honolulu	number	total	1,567	695	125.5
Maui County	number	total	547	530	3.2
Hawaii County	number	total	880	800	10.0
Kauai County	number	total	282	230	22.6
MULTIPLE FAMILY UNITS					
STATE	number	total	2,031	3,008	−32.5
C&C of Honolulu	number	total	1,832	2,519	−27.3
Maui County	number	total	24	122	−80.3
Hawaii County	number	total	96	249	−61.4
Kauai County	number	total	79	118	−33.1
NONRESIDENTIAL					
STATE	thous. $	total	304,111	325,495	−6.6
C&C of Honolulu	thous. $	total	153,677	240,200	−36.0
Maui County	thous. $	total	52,435	54,933	−4.5
Hawaii County	thous. $	total	31,163	14,153	120.2
Kauai County	thous. $	total	66,835	16,209	312.3
PUBLIC CONTRACTS AWARDED					
TOTAL GOVERNMENT PROJECTS BY LEVEL OF GOVERNMENT	thous. $	total	274,965	391,587	−29.8

na = not available.
*Coast Guard figures not included.
[1]Gross taxable income valued at time of shipment.
[2]Potted foliage grown for indoor or patio use.
[3]Includes cut flowers, cut orchids, lei flowers, cut foliage, other potted plants, unfinished flower and foliage stock, and other nursery products.
[4]Includes avocadoes, bananas, guavas, oranges, passion fruit, and tangerines.
[5]Includes snap beans, cabbage, celery, sweet corn, cucumbers, lettuce, onions, green peppers, tomatoes, and watermelons.
[6]Includes coffee, taro, feed and forage crops, and forest products.
[7]Includes broilers and chickens, turkeys, sheep, wool, horses, honey, and beeswax.

levels in two and a half years in October of 1983 also attests to the strength of the current upturn. Easing of air fares in 1984 through increased airline competition, as well as continuing economic recovery on the Mainland, should have a beneficial impact on Hawaiian tourism, although increased interest rates will have a moderating influence on overall national growth. The expectation, therefore, is for a continuation and slight improvement over present trends, and an expected growth rate in total visitors of 3 to 4 percent in 1984.

Military Expenditures

Military expenditures, Hawaii's second largest industry at $1.9 billion in 1983, experienced a strong 11.9 percent increase over 1982. Of that total, military payrolls increased by 11.4 percent from $702 to $782 million, civilian payrolls increased by 9.6 percent from $522 to $572 million, and local purchases of goods and services increased by 14.9 percent from $479 million to $550 million, making that sector alone larger than Hawaii's entire sugar industry. Given the present Reagan Administration emphasis on military expenditures, as well as the growing importance of the Pacific Basin Region, it can be expected that military expenditures will continue to play an important role in the Hawaiian economy. The fact that total expenditures have been showing strong increases of 7.8, 9.6, and 18.2 percent between 1980 and 1982, furthermore, adds to the expectation that increases for 1984 should fall in the 10 to 12 percent range.

Sugar

Statistics for sugar showed significant improvements in both output and prices, providing some hope for an industry that suffered a $90 million loss in 1981, and a $1.6 million loss in 1982. Sugar production in 1983 stood at 1.04 million tons, up 6.2 percent from 1982. Factors leading to the increased productivity included higher yields due to improved farming practices, new, more robust cane varieties, and greater cost efficiency in harvesting and milling operations.

Prices for sugar also improved in 1983. The New York raw sugar price increased by 10.5 percent from an annual monthly average of 20.0 cents a pound in 1982 to 22.1 cents a pound in 1983. Price supports set by the Farm Act of 1982 were a crucial factor in maintaining domestic sugar prices. They shielded the American market from the estimated 15 million-ton world sugar glut prevalent during 1983, and the depressed world market price, which ranged beween 6 to 8 cents a pound.

The result was an improvement in year-to-year revenues of 15 percent from $369 million in 1982 to $423 million in 1983. However, total industry profits, which stood at $29 million, was dominated by the sale of molasses and electricity generated through the burning of bagasse, rather than by the sale of sugar. Thus, while near-term prospects for the overall industry remain optimistic, long-term survival of the industry is by no means assured without further improvements in productivity and yields.

BUSINESS ACTIVITIES IN HAWAII (cont.)

Series	Unit	Period	1983	1982	Percent Change 1982-83
PUBLIC CONTRACT AWARDED (continued)					
FEDERAL	thous. $	total	81,337	138,007	−41.1
STATE	thous. $	total	127,736	183,807	−30.5
COUNTY	thous. $	total	65,892	69,774	−5.6
BY LOCATION OF PROJECT					
C&C of Honolulu	thous. $	total	216,989	297,817	−27.1
Maui County	thous. $	total	29,943	45,790	−34.6
Hawaii County	thous. $	total	20,152	22,920	−12.1
Kauai County	thous. $	total	7,882	25,061	−68.6
HONOLULU CONSTRUCTION COST INDEXES					
SINGLE FAMILY	1967 = 100	monthly average	331.5	304.7	8.8
HIGH-RISE	1967 = 100	monthly average	352.1	330.3	6.6
REAL ESTATE					
OAHU: New Sales					
Single Family	number	total	966	809	19.4
Condominium	number	total	1,940	912	112.7
Resales					
Single Family	number	total	1,617	1,392	16.2
Average Price	dollars	monthly average	183,711	172,568	6.5
Condominium	number	total	2,049	1,867	9.7
Average Price	dollars	monthly average	103,596	104,103	−0.5
MAUI: Resales					
Single Family	number	total	185	103	79.6
Average Price	dollars	monthly average	155,095	134,969	14.9
Condominium	number	total	381	200	90.5
Average Price	dollars	monthly average	151,169	153,414	−1.5
HAWAII: Resales					
Single Family	number	total	378	281	34.5
Average Price	dollars	monthly average	91,796	96,784	−5.2
Condominium	number	total	127	58	119.0
Average Price	dollars	monthly average	95,535	123,200	−22.5
KAUAI: Resales					
Single Family	number	total	55	39	41.0
Average Price	dollars	monthly average	112,518	124,539	−9.6
Condominium	number	total	28	27	3.7
Average Price	dollars	monthly average	141,964	162,380	12.6
BUSINESS SALES					
GROSS BUSINESS RECEIPTS	mil. $	total	21,417	20,722	3.4
DIVERSIFIED MANUFACTURING	mil. $	total	502	544	−7.7
DIVERSIFIED AGRICULTURE	mil. $	total	222	177	25.3
RETAILING	mil. $	total	7,728	7,432	4.0
WHOLESALING	mil. $	total	5,289	5,276	0.2
SERVICES	mil. $	total	4,825	4,531	6.5
OAHU NEW CAR SALES	number	total	36,281	31,469	15.3
PUBLIC UTILITIES					
ELECTRICITY GENERATED	mil. kwh.	total	6,855	6,701	2.3
GAS SALES	th. therms	total	48,135	48,859	−1.5
TELEPHONE LINES IN SERVICE	thous.	end of period	458	445	2.9
HONOLULU PRICES					
HONOLULU CONSUMER PRICE INDEX					
Urban Wage Earners and Clerical Workers (Revised), All Items	1967 = 100	monthly average	273.5	267.6	2.2
All Urban Consumers, All Items	1967 = 100	monthly average	278.8	268.1	4.0

na = not available.

Sources:

Tourism—Hawaii Visitors Bureau, Pannell, Kerr, Forster.

Defense—Reports from various branches of the armed forces.

Sugar—Hawaiian Sugar Planters' Association.

Pineapple—Hawaii State Department of Taxation, Hawaii State Department of Agriculture.

Diversified Agriculture—Hawaii State Department of Agriculture.

Construction—Hawaii State Department of Taxation, Honolulu County Building Department, Hawaii, Kauai, and Maui County departments of public works.

Real Estate—Monitor Hawaii, Inc., Locations Inc., First Hawaiian Bank, Research Department.

Business Sales—Hawaii State Department of Taxation, Cardinal Mailing Services, Ltd.

Public Utilities—Hawaiian Electric Company, Inc., Citizens Utilities Company, Molokai Electric Co., Ltd., Gasco, Inc., Hawaiian Telephone Company.

Honolulu Prices—U.S. Department of Labor, Bureau of Labor Statistics.

Pineapple

After experiencing strong increases both in volume and farm value of production in 1982 of 5.3 and 10.8 percent respectively, the pineapple industry experienced a number of setbacks in 1983. Total volume of production fell 9.7 percent from 670,000 to 605,000 tons. Of that total, the volume of processed pineapple fell 10.5 percent, while fresh pineapple fell 6.2 percent. Prices, however, remained stable for processed pineapple at 4 cents a pound, while fresh pineapple prices increased slightly by 1.2 percent from 21.5 to 21.8 cents a pound. These improvements, however, did not prevent the total farm value of production from falling 7.6 percent from $99.5 to $92.0 million in 1983. In the meantime, acreage used for crops also declined by 2.8 percent while employment fell by 6.7 percent from 5,200 to 4,850 persons. Fortunately, however, in spite of the drop in production and farmgate sales, gross revenues to the industry did see a positive increase of 5.7 percent, growing from $207 million to $219 million in 1983. In addition to the sale of fresh and canned pineapple, as well as juice products, revenues to the industry received a strong boost from the sale of pineapple-based animal feeds and pharmaceutical products.

While some of the decline in pineapple production was attributable to cutbacks in pineapple production on Molokai and canning operations in Honolulu, unseasonably heavy rains took a heavy toll on the 1983 crop during the first quarter of 1982. Because pineapple is grown on a 16 to 18 month cycle, plantings that would have been harvested through the second and third quarters of 1983 were postponed, leading to temporary production shortfalls. Thus, improvements can most likely be expected in 1984. But, given the overall process of acreage, labor, and production cutbacks that the industry is currently experiencing, overall increases to the industry will be moderate in 1984.

Diversified Agriculture

While as yet small compared to sugar and pineapple, diversified agriculture is rapidly emerging as a significant factor in the Hawaiian economy, particularly in the Neighbor Islands. As of 1982, total diversified agricultural sales, including livestock products, totalled $182 million, or about 36 percent of total agricultural sales. Agricultural products alone totalled $104 million or 57 percent of total diversified agricultural crops. Of the agricultural products, export-oriented crops dominated total sales, as well as experienced the highest rates of growth. In 1982, macadamia nuts, papayas, and flowers and nursery products comprised 70 percent of agricultural sales.

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POPULATION AND PERSONAL INCOME IN HAWAII

Series	Unit	Period	1983	1982	Percent Change 1982-83
POPULATION					
DE FACTO—STATE	thous.	July 1, 1983	1,119	1,087	2.9
TOTAL RESIDENT—STATE	thous.	July 1, 1983	1,023	997	2.7
C&C of Honolulu	thous.	July 1, 1983	na	778	.....
Maui County	thous.	July 1, 1983	na	80	.....
Hawaii County	thous.	July 1, 1983	na	98	.....
Kauai County	thous.	July 1, 1983	na	41	.....
CIVILIAN RESIDENT—STATE	thous.	July 1, 1983	964	942	2.4
MILITARY PERSONNEL—STATE	number	July 1, 1983	59,021	61,107	−3.4
Ashore	number	July 1, 1983	53,755	54,184	−0.8
Afloat	number	July 1, 1983	5,266	6,923	−23.9
CIVILIAN DEPENDENTS OF MILITARY	number	July 1, 1983	66,252	66,709	−0.7
FOREIGN IMMIGRATION[1]	number	12 mo. total for period ending 12/83	5,363	6,573	−18.4
PERSONAL INCOME					
TOTAL PERSONAL INCOME[2,*]	mil. $	3-quarter average	12,223	11,517	6.1
Employment Income[3]	mil. $	3-quarter average	9,030	8,451	6.9
Manufacturing	mil. $	3-quarter average	433	428	1.2
Construction & Mining[4]	mil. $	3-quarter average	507	490	3.5
Wholesale	mil. $	3-quarter average	395	365	8.2
Retail	mil. $	3-quarter average	1,038	953	8.9
Finance, Ins. & Real Estate	mil. $	3-quarter average	620	548	13.1
Trans., Comm., & Util.	mil. $	3-quarter average	806	790	2.0
Services	mil. $	3-quarter average	1,901	1,762	7.9
Farm & Other	mil. $	3-quarter average	311	281	10.7
Federal Civilian	mil. $	3-quarter average	856	780	9.7
Federal Military	mil. $	3-quarter average	1,075	1,046	2.8
State & Local	mil. $	3-quarter average	1,088	1,009	7.8
Property Income (Dividends, Interest, Rent)	mil. $	3-quarter average	2,138	2,114	1.1
Transfer Payments (1,629) minus Personal Contributions For Social Ins. (573)	mil. $	3-quarter average	1,056	951	11.0
PER CAPITA PERSONAL INCOME					
STATE PER CAPITA	dollars	total	na	11,602	.....
PER CAPITA BY COUNTY					
C&C of Honolulu	dollars	total	na	na	.....
Maui County	dollars	total	na	na	.....
Hawaii County	dollars	total	na	na	.....
Kauai County	dollars	total	na	na	.....

na = not available.

**Total personal income and all components are seasonally adjusted at annual rates.*

[1]These immigration statistics include only those entering Honolulu ports and do not include status changes.

[2]Includes wage and salary disbursements, proprietors' income, and other labor income.

[3]Income from mining not shown separately to avoid disclosure of confidential information.

Sources:

Population—Hawaii State Department of Planning and Economic Development, U.S. Bureau of the Census, U.S. Immigration and Naturalization Service.

Personal Income—U.S. Department of Commerce, Bureau of Economic Analysis.

1983 was a good year for diversified agriculture. The industry saw the highest increase in gross business receipts of all industries of 25.3 percent, while income increased by 10.7 percent, and employment increased by 2.5 percent. Individual industries are discussed below.

Macadamia Nuts

The macadamia nut industry experienced a record harvest of 38 million pounds in the 1983 season which represented a 4 percent increase over the 36.7 million pounds produced in 1982. Favorable weather, higher yields per acre, and increased bearing acreage all contributed to the increases in harvest. Also, due to heavy investment commitments in 1979 and 1980, over 2,700 acres of seedlings were planted, resulting in a 30 percent increase over existing acreage. Those plantings are now beginning to produce quality crops, and should peak in 1989, substantially increasing overall production levels.

However, given the lag between market development and expansion in output, farm prices fell 8 percent from 74 cents a pound to 68 cents a pound in 1983. As a result, value of sales fell by 4 percent from $27.1 to $25.9 million in 1983, the first drop in eleven seasons. Thus, it is clear that the industry is moving into a classic situation of product surplus and price deflation. Long-run growth and consolidation in the industry will depend on an aggressive program of market expansion.

Prospects for macadamia nuts in 1984 will depend in large part on price movements. Increases in the volume of production can be expected to fall in the 4 to 6 percent range. However, prices also need to show significant increases in order for the industry to show a viable return on investment. Fortunately, efforts are under way by major producers to begin aggressive marketing campaigns both locally and in Mainland markets. If successful, the chances are good for significant growth and expansion for macadamia nuts in 1984.

Papayas

Papayas, recovering from the devastation of Hurricane Iwa, just about broke even in 1983 with volume of production increasing by less than one percent from 44.8 to 44.9 million pounds. Prices, however, held strong during the year, rising by 6.0 percent from 25.1 to 26.6 cents a pound. The result was an increase in the total value of production of 9.2 percent from $11.5 to $12.5 million in 1983.

However, because of the high volume of replantings after Hurricane Iwa, the papaya harvest is projected to increase to 75 million pounds, up an astonishing 67 percent over

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EMPLOYMENT AND UNEMPLOYMENT IN HAWAII

Series	Unit	Period	1983	1982	Percent Change 1982-83
EMPLOYMENT IN STATE AND COUNTIES (number of persons)					
STATE					
Civilian Labor Force	thous.	monthly average	473.0	460.0	2.8
Employment	thous.	monthly average	442.0	430.0	1.4
Unemployment	thous.	monthly average	30.0	31.0	−3.2
Unemployment Rate	percent	monthly average	6.4	6.7	−4.5
C & C OF HONOLULU					
Civilian Labor Force	thous.	monthly average	360.0	352.1	2.2
Employment	thous.	monthly average	339.4	330.5	2.7
Unemployment	thous.	monthly average	20.6	21.5	−4.2
Unemployment Rate	percent	monthly average	5.7	6.1	−6.6
MAUI COUNTY					
Civilian Labor Force	thous.	monthly average	43.3	42.2	2.6
Employment	thous.	monthly average	39.9	38.9	2.6
Unemployment	thous.	monthly average	3.4	3.3	3.0
Unemployment Rate	percent	monthly average	7.9	7.9	0.0
HAWAII COUNTY					
Civilian Labor Force	thous.	monthly average	46.6	45.5	2.4
Employment	thous.	monthly average	42.4	41.0	3.4
Unemployment	thous.	monthly average	4.3	4.4	−2.3
Unemployment Rate	percent	monthly average	9.1	9.8	−7.1
KAUAI COUNTY					
Civilian Labor Force	thous.	monthly average	22.0	21.3	3.3
Employment	thous.	monthly average	20.3	19.6	3.6
Unemployment	thous.	monthly average	1.7	1.7	0.0
Unemployment Rate	percent	monthly average	7.7	8.0	−3.8
JOB COUNT BY INDUSTRY					
TOTAL JOBS—STATE	thous.	monthly average	445,100	440,450	1.1
SUGAR (mill and field)	thous.	monthly average	8,250	8,550	−3.5
PINEAPPLE (cannery and field)	thous.	monthly average	4,850	5,200	−6.7
DIVERSIFIED MANUFACTURING (excluding sugar and pineapple)	thous.	monthly average	15,900	15,800	0.6
Durable Goods	thous.	monthly average	3,650	3,900	−6.4
Non-Durable Goods	thous.	monthly average	12,250	11,950	2.5
Apparel and Textiles	thous.	monthly average	2,900	2,850	1.8
DIVERSIFIED AGRICULTURE (excluding sugar and pineapple, but including agricultural self-employed)	thous.	monthly average	8,300	8,100	2.5
CONTRACT CONSTRUCTION	thous.	monthly average	17,950	17,850	0.6
TRANSPORTATION	thous.	monthly average	20,800	21,150	−1.7
COMMUNICATION	thous.	monthly average	7,500	7,500	0.0
UTILITIES	thous.	monthly average	2,450	2,550	−3.9
RETAIL TRADE	thous.	monthly average	87,600	86,350	1.4
WHOLESALE TRADE	thous.	monthly average	18,150	18,500	−1.9
FINANCE, INSURANCE AND REAL ESTATE	thous.	monthly average	31,600	31,500	0.3
HOTEL SERVICES—STATE	thous.	monthly average	26,800	26,500	1.1
Honolulu County	thous.	monthly average	14,850	14,700	1.0
Maui County	thous.	monthly average	6,200	6,350	−2.4
Hawaii County	thous.	monthly average	3,550	3,250	9.2
Kauai County	thous.	monthly average	2,200	2,200	0.0
OTHER SERVICES	thous.	monthly average	77,050	74,700	3.1
FEDERAL GOVERNMENT	thous.	monthly average	32,100	31,500	1.9
Civilian Agencies	thous.	monthly average	11,250	11,100	1.4
Defense Department	thous.	monthly average	20,850	20,400	2.2
STATE GOVERNMENT	thous.	monthly average	45,650	45,650	0.0
COUNTY GOVERNMENT	thous.	monthly average	13,300	13,150	1.1
UNEMPLOYMENT INSURANCE CLAIMS AND PAYMENTS					
INSURED UNEMPLOYMENT (weekly average)	number	monthly average	15,497	14,137	9.6
INTRASTATE INITIAL CLAIMS	number	total	73,566	89,561	−17.9
INTERSTATE INITIAL CLAIMS	number	total	4,701	4,893	−3.9
UNEMPLOYMENT INSURANCE BENEFITS	thous. $	total	83,604	80,653	3.7

Sources:
Employment, Job Count, and Unemployment Insurance—Hawaii State Department of Labor and Industrial Relations.

1983. Also, total papaya farm income is expected to increase to $17 million in 1984, up 44 percent from 1983. But, concern throughout the industry is great that, like the macadamia nut industry, the oversupply of papayas may in fact cause a drop in prices and overall loss to the industry. Strong efforts are now under way by the industry to increase promotional efforts to expand Mainland, Canadian, and Japanese markets. These efforts will be critical in maintaining the world market price for papayas, and ultimately the long-term survival of the industry.

Flowers and Nursery Products

As a total industry, flowers and nursery products constitute the largest sector in diversified agriculture. Total value of sales for the industry stood at $30.6 million in 1982, which represented a 3.6 percent increase over 1981. Composition of the industry in 1982 included: potted plants, at $14.1 million or 46 percent of total output; cut flowers and foliage, at $10.1 million or 33 percent of total output; lei flowers, at $3.5 million or 11 percent of total output; and all others at $2.9 million or 9 percent of total output. The major export crops include potted foliage plants, which came to $8.8 million in 1982 or 29 percent of total sales, and anthuriums, which came to $5.6 million, or 18 percent of total flower and nursery product sales in 1982. In spite of adverse weather throughout the year, and a generally sluggish economy, 1982 was a very good year for flowers and nursery products. A surge in potted foliage plants during the second half of the year resulted in a 21 percent increase from the previous year and a strong boost for total industry sales. Although the number of anthuriums decreased for the second year in a row, stronger prices resulted in a 5.7 percent increase in the value of sales.

Data for 1983 reveal that total shipments of anthuriums saw a decline of 1.4 percent during the year. However, this also represented a shift in markets as sales to the Mainland increased by 11.3 percent and sales to foreign countries declined by 8.8 percent. Of total anthurium production, 42 percent is shipped to the Mainland, while 58 percent is shipped to foreign countries. Of the foreign shipments, only the Japanese market increased by 6.0 percent, while European markets declined by 16.8 percent. The primary reason has been the high currency valuation of the dollar relative to European currencies. Thus, sale promotional campaigns have begun to focus more on the Mainland markets. Furthermore, as European and Japanese currencies gain in relative value to the American dollar, foreign exports of anthuriums can be expected to grow. Thus, overall, prospects in 1984 for the anthurium industry look positive.

Livestock Products

In 1982, the total value of livestock products stood at $78.3 million. The major sectors of the livestock industry include: beef production which accounted for $27.6 million or 35 percent of total sales; milk production which accounted for $21.9 million or 28 percent of total sales; eggs, which ac-

PUBLIC ASSISTANCE IN HAWAII

Series	Unit	Period	1983	1982	Percent Change 1982-83
PUBLIC ASSISTANCE					
RECIPIENTS[1]					
Income Maintenance	no./persons	monthly average	64,018	65,170	−1.8
Services	no./cases	monthly average	6,795	6,720	1.1
Medical	no./patients	monthly average	51,849	50,095	3.5
Food Stamps	no./persons	monthly average	101,265	97,917	3.4
PAYMENTS					
Income Maintenance	thous. $	total	107,720	108,998	−1.2
Services	thous. $	total	14,374	14,561	−1.3
Medical	thous. $	total	167,612	149,307	12.3
Food Stamps	thous. $	total	80,425	71,218	12.9

[1]Count of recipients is duplicated. A person may be counted in each category.

Sources:
Public Assistance—Hawaii State Department of Social Services and Housing.

BANKING AND FINANCE IN HAWAII

FINANCE					
COMMERCIAL BANKS					
Total Deposits					
STATE	mil. $	monthly average	5,596	4,962	12.8
Honolulu County	mil. $	monthly average	4,619	4,121	12.1
Maui County	mil. $	monthly average	350	307	13.8
Hawaii County	mil. $	monthly average	415	360	15.3
Kauai County	mil. $	monthly average	212	174	22.0
Debits to Demand Deposits					
STATE	mil. $	total	89,147	89,384	−0.3
Honolulu County	mil. $	total	82,035	82,247	−0.3
Maui County	mil. $	total	2,997	3,112	−3.7
Hawaii County	mil. $	total	2,865	2,915	−1.7
Kauai County	mil. $	total	1,251	1,110	12.7
Loans Outstanding	mil. $	quarterly average	3,671	3,587	2.3
Real estate	mil. $	quarterly average	1,639	1,568	4.5
Consumer	mil. $	quarterly average	814	804	1.2
Commercial & Industrial	mil. $	quarterly average	1,092	1,035	5.4
Other	mil. $	quarterly average	127	180	−29.3
SAVINGS & LOAN ASSOCIATIONS[1]					
Total Deposits	mil. $	total	42,673	na	.....
Loans	mil. $	total	546	na	.....
Residential	mil. $	total	302	na	.....
Other	mil. $	total	244	na	.....
STATE TAX COLLECTIONS[2]					
TAX COLLECTIONS—STATE	thous. $	total	1,264,669	1,150,501	9.9
Honolulu County	thous. $	total	1,108,183	1,023,001	8.3
Maui County	thous. $	total	68,217	52,850	29.1
Hawaii County	thous. $	total	65,787	52,485	25.3
Kauai County	thous. $	total	22,481	22,165	1.4

[1]Includes data for both Hawaii and Guam.
[2]Excludes property taxes which were formerly collected by the State but are now collected by the Counties.

Sources:
Finance—Hawaii State Department of Commerce and Consumer Affairs. Federal Deposit Insurance Corporation reports. Federal Home Loan Bank of Seattle.
State Tax Collections—Hawaii State Department of Taxation.

counted for $14.5 million, or 18 percent of total sales; pork, which accounted for $8.5 million or 11 percent of total sales; and broilers and chickens, which accounted for $5.2 million, or 7 percent of total sales. According to the Department of Agriculture, 1982 was not a good year for livestock products. Almost every segment of the livestock industry was affected by a decline in either production or value of sales. As a result, cash receipts for 1982 were 11 percent below 1981, and at the lowest level since 1978. This was the first year-to-year decline in cash receipts since 1965.

The picture for 1983 appeared to represent some improvement over 1982, although trends varied for different products. The cumulative dressed weight of marketed beef saw a strong increase of 10 percent from 28.5 to 31.4 million pounds. However, monthly average feedlot beef prices fell by 5.2 percent over the year, moderating the gains achieved in terms of dressed weight. Milk production also experienced a moderate gain in production of 3.3 percent from 144 to 149 million pounds, but that was partially offset by a slight decrease in price per hundred weight of 2.3 percent. The increase in output was due primarily to higher milk output per cow, as the number of cows remained stable at roughly 12,500. Egg production, on the other hand, experienced declines both in volume of production, which fell by 0.3 percent from 200 to 199 million eggs, and in terms of prices which fell by 1.7 percent from 86.3 to 84.8 cents a dozen. Reasons for the shortfall in local egg production were attributable to reductions in egg-laying chickens, while the slight decline in price resulted from increased competition from imported Mainland eggs. According to the Hawaii Agriculture Reporting Service, local egg producers accounted for about 90 percent of the egg market before 1982. But by 1983, that percentage dropped to roughly 75 percent. On the other hand, hog production in the state experienced increases both in volume of output as well as prices. Total pork production increased by 6.1 percent from 6.0 to 6.1 million pounds dressed weight. Monthly average prices also saw a 2.5 percent increase from 99.0 to 101.5 cents a pound leading to positive revenue gains to the industry. However, the year ended with a record low inventory of 48,000 hogs, compared with 49,000 in 1982. The breeding herd remained the same at 7,000 head, but market hogs totalled 41,000 head, 2.4 percent fewer than in 1982.

Diversified Manufacturing

Trends in diversified manufacturing for 1983 were mixed. As an industry, excluding sugar and pineapple processing, diversified manufacturing accounted for about $502 million in gross revenues in 1983. Industries included in diversified manufacturing include food processing other than sugar and pineapple, the garment industry, construction materials, paper, machinery and equipment, chemical and petroleum refining, furniture, and other smaller manufacturing industries.

During 1983, gross revenues to the industry declined by 7.7 percent, falling from

$544 million to $502 million. On the other hand, employment income to manufacturing employees managed to remain stable with a slight increase of 1.2 percent. Job counts also remained stable, edging upwards slightly by 0.6 percent. Nondurable goods such as food processing, garments and textiles, printing and publishing, and petroleum and chemical products, saw an increase in employment of 2.5 percent, rising from 11,950 to 12,250 jobs in 1983. Of the nondurable goods industries, textiles and apparel experienced a 1.8 percent increase in jobs of 1.6 percent. Durable goods industries, however, experienced a decline in employment of 6.4 percent falling from 3,900 to 3,650 jobs. However, because the smaller proportion of durable as opposed to nondurable industry jobs, the decrease was not enough to offset employment increases to the industry as a whole.

Trade and Services

While not generally considered a "basic" industry to the extent that its products are not exported out of state, over the years the trade and service industries have come to occupy a major position in the Hawaiian economy. While much of this growth is related to the growth of tourism, much also is in response to the growing consumption needs of a rapidly expanding population with a comparatively high standard of living. For example, in 1979 according to the U.S. Bureau of Census, Hawaii ranked 11th across the country in terms of per capita income, while ranking *second* across the country in median household income. On the other hand, Hawaii ranked 9th across the country in terms of retail sales per capita. Thus, in terms of income and consumption, on a per capita basis, Hawaii falls in the top ten percent nationwide.

The effects on the economy have been profound. Trades and services (including hotel services) accounted for 83 percent of total gross business revenues in 1983. Trades and services also accounted for 44 percent of all employment income, and 54 percent of all the jobs in the state. To a large extent, the growth of trades and services has also contributed to the growing transformation of the structure of the economy into a small-business economy, and away from the large agriculturally-oriented enterprises of a generation ago.

Recent trends in the industry have been strong. Boosted by the overall national economic recovery, gross revenues to the retail, wholesale, and service industries grew by 4.0, 0.2, and 6.5 percent respectively in 1983. Personal income in these industries also made strong gains. The retail and wholesale trades grew by 8.9 and 8.2 percent respectively, while finance, insurance and real estate grew by 13.1 percent, and other services grew by 7.9 percent. Growth in jobs, while more moderate, was still positive. Retail trade expanded by 1.4 percent, while wholesale trade declined slightly at 1.9 percent. Finance, insurance and real estate, however, grew slightly by 0.3 percent, while hotel services and other services expanded by 1.1 and 3.1 percent respectively. Overall, gross revenues to trade and services increased by 3.5 percent, incomes increased by 9.0 percent, and jobs increased by 1.5 percent. Prospects for 1984 look good, given the continuation of the national economic recovery, for continuing strength and moderate but stable growth in trades and services.

Government

Aside from the military, civilian government employment, both federal as well as state and county plays an important role in the Hawaiian economy. In 1983, civilian federal and state and county employees accounted for 16 percent of the total labor force. If military personnel were included, total government employment would come to 20 percent of the total labor force. Civilian government employment also accounted for 22 percent of total employment income in the state.

This significant presence of government activity is also high by national standards. In 1981, according to the U.S. Bureau of the Census, Hawaii ranked in the top ten percent nationwide for both federal, state, and local activity. For example, Hawaii ranked *second* in federal government expenditures per capita, 9th in terms of state and local government expenditures per capita, and 4th nationwide in terms of state and local tax revenues per capita. Thus, government in Hawaii has and will continue to play a substantial role in the economy.

This is also supported by recent trends. In 1983, income to civilian federal government employees increased by 9.7 percent, while income to state and local government employees increased by 7.8 percent. Total civilian government income increased by 8.7 percent from $1.8 to $1.9 billion dollars. Jobs also saw moderate growth in 1983. Civilian federal government employees increased by 1.4 percent, while state and county government employees increased by 0.3 percent. County government employees alone grew by 1.1 percent. In all, government jobs increased by 0.4 percent. While it is true that civilian government employment is not an economic activity to the extent that it is affected by market dynamics as other industries, it does play a significantly important role in the economy with respect to income and employment. Given its historically strong presence in the economy, there is every reason to believe that it will continue, at least in the near-term future.

Conclusion

Looking at the "basic" or export sectors of the economy, such as tourism, military expenditures, sugar, pineapple, and diversified agricultural products and diversified manufacturing, as well as the "nonbasic" or support sectors of the economy such as real estate and construction, trade and services, and government, the evidence for 1983 shows a firmness and strengthening in the support sectors, and growth and expansion in the export sectors. In the support sectors, real estate, trade, services, and government showed consistent strength in revenues, income, and employment. For the real estate and trade industries, this reflected the loosening effects of lower interest rates in 1983, while growth in services reflected increased consumer demand as well as expansion in the tourism industry. The only industry that did not show significant improvement was construction, due to the early stages of the Hawaiian economic recovery, and continuing inventories of condominium and nonresidential construction. On the other hand, with the possible exception of diversified manufacturing and pineapple, which suffered temporary seasonal setbacks, all major basic export industries showed moderate to substantial growth.

Thus, given strong and sustained economic recovery at the national level through 1984, expanding employment and investment opportunities for labor and capital, as well as expanding opportunities for the major export sectors, there is every indication that 1983 was a transition year, and that Hawaii is moving into a period of moderate but sustained growth. While it is clear that Hawaii's present growth cycle will not be as spectacular as in the late sixties and seventies, it is also clear that Hawaii is moving away from the recessionary years of 1981 and 1982. Also, the present recovery appears to be more broad based, particularly with the increasing contribution of diversified agriculture, and trades and services. Thus, with a new period of growth beginning, there is every hope that the present recovery, while more moderate than past recoveries, will also be more diversified, and more stable.

RESEARCH DEPARTMENT

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ECONOMIC INDICATORS

Research Department, First Hawaiian Bank | March/April 1984

Hawaii's System of Excise Taxation

Once again, as Hawaii residents complete their Spring tax-return rituals, minds are turned toward how our hard earned tax dollars go to support our state and county governments. Justifiably so, since according to the Bureau of the Census, Hawaii residents pay the fourth highest taxes per capita to state and county government across the nation, while ranking ninth in terms of state and county expenditures per capita.

However, contrary to what most of us must feel every April, the largest revenue source to state government in Hawaii is not the individual or corporate-income tax, but rather the general-excise tax. In fiscal-year 1982, out of total state taxes of $1.1 billion, excise taxes came to $726 million, or 65 percent of total taxes. Individual-income taxes totalled $283 million or 25 percent, corporate-income taxes totalled $39 million or 4 percent, and other taxes came to $72 million or 6 percent of total state taxes. Hawaii's dependence on excise taxes is high even by national standards. Compared to other states, Hawaii is approximately 24 percent over the national mean in its dependence on excise taxes, 3 percent and 5 percent under the national mean in its use of individual and corporate taxes, and 16 percent under the national mean in the use of alternative revenue instruments.

Why is this so important to the average citizen? Principally, because the excise tax is levied on the production, distribution, and consumption of goods and services, and as such has profound implications for economic development. Furthermore, the excise-tax system in general, particularly as practiced in Hawaii, has come under severe criticism for its effects on business activity. Under this tax, a product is taxed repeatedly as it moves through the various stages of production and distribution. It also induces firms to combine stages of production in order to avoid taxes, thereby encouraging monopolization and reducing competition in the economy. While 45 other states across the country levy excise taxes on the retail sale of products, Hawaii is only one of five states that taxes wholesale transactions, and the **only** state that also taxes the production and manufacturing of products.

According to a 1968 study by Arthur D. Little, Inc., the Hawaii general-excise tax system is so comprehensive that it tends to pyramid in the production and distribution process thereby increasing prices to final consumers. The study concluded that the general-excise tax: (1) distributes tax liabilities and burdens indiscriminately and capriciously; (2) bears little relationship to the income creating potential of businesses; and (3) presents a de facto investment tax on both new and expanding firms.

Furthermore, evidence suggests that, with the growth in tourism over the years, the economy has shifted toward a more consumer-based and service-oriented economy, and away from the more agriculturally-based economy of the past. There has also been a noticeable shift toward smaller employing units. By the 1980s, Hawaii had evolved from a semi-monopolistic structure of large agricultural corporations into a highly competitive small-business entrepreneurial economy. These changes have radically shifted the economic base upon which the excise tax had formerly been levied. Several implications follow.

First, in a trade and service-dominated economy the number of stages of production are fewer than they were in the pineapple and sugar industries of a generation ago. Thus, while some pyramiding does exist, it will be lower than it was in the past, and will tend to affect the distribution of goods and services rather than their production. Second, in a more competitive environment composed of many small businesses, the excise tax will tend not to be passed on to consumers as they would in a more monopolistic setting, but rather absorbed by producers in the form of higher costs and lower profits. The tax actually becomes more of a producer rather than consumer tax. If demand for a particular commodity is sensitive to changes in price, then tax costs can become an important factor in firm failures and bankruptcies. Third, in the past, the sugar and pineapple industries could export their taxes with their products. However, because service and retail industries, with the exception of tourist-related services, serve local consumers primarily, excise taxes are not exported out of state, and are borne by Hawaii residents. Taxing newer export industries like diversified agriculture and high-tech industries is also difficult because of their relatively weak market positions. The fact that Hawaii suffers from a trade deficit, estimated to be 36 percent of Gross State Product (GSP), or $4.1 billion, in 1980, also suggests that Hawaii residents may already be paying considerable taxes of other states and countries.

Thus, while in the past, the pineapple and sugar industries may have carried a heavier excise-tax burden, they were largely able to pass on and export those taxes. Current conditions suggest that excise taxes, while affecting distribution more than production, are more often absorbed by local firms and, if passed on, tend to fall on Hawaii residents.

These conditions suggest a number of alternatives. One suggested in the A. D. Little study called for retaining the general-excise tax, while relieving firms of having to pay the 4 percent "retail" rate on interindustry purchases. Similar suggestions have included a value-added tax or a retail-sales tax, as well as adjusting relative tax burdens for growing industries such as diversified agriculture or high-tech manufacturing.

Another alternative might entail tax exportation where taxes are levied on profits exported out of state. For example, out-of-state corporate revenues, came to roughly $3.4 billion or 32 percent of total GSP in 1979, while out-of-state corporate taxes came to roughly 1 percent of total Hawaii tax revenues.

Consideration could also be given to expansion of nontax revenue instruments such as user fees, special assessments, and other mechanisms including educational revenues, use of state natural resources and public facilities. Many of these issues are now under review by the Tax Review Commission, which will release its final report in December of 1984.

Since the days of Hawaii's large agricultural corporations, the economy has evolved into a competitive, service and consumer-oriented economy comprised essentially of small businesses, as well as a large presence of out-of-state capital. While the general-excise tax system may have been appropriate then, the question remains as to whether it continues to remain in step with currently prevailing economic conditions.

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u. s. economic indicators

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
GENERAL BUSINESS INDICATORS					
COMPOSITE INDEX OF LEADING INDICATORS*	1967 = 100	February	165.9	0.7	12.6
GROSS NATIONAL PRODUCT**					
In Current Dollars	bil. $	1st Qtr.	3,534.9p	2.9	11.5
In 1972 Dollars	bil. $	1st Qtr.	1,600.1p	1.8	7.4
PERSONAL INCOME**	bil. $	February	2,922.6p	0.7	10.3
RETAIL SALES*	mil. $	February	106,173p	−0.1	15.1
BANKING AND CREDIT					
DEBITS TO DEMAND DEPOSITS**	bil. $	January	69,002.2	2.8	21.1
BANK LOANS*	bil. $	January	1,142.2p	0.9	9.3
AVERAGE PRIME RATE CHARGED BY BANKS	percent	March	11.21	1.9	6.8
CONSUMER INSTALLMENT DEBT*	mil. $	January	385,847	1.1	12.8
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE**	bil. $	January	281.8p	1.4	13.7
CONSTRUCTION COST INDEXES					
Residences	1967 = 100	January	352.2	2.4'	6.2
Apts. Hotel, Office Bldgs.	1967 = 100	January	356.3	1.0'	5.9
EMPLOYMENT					
CIVILIAN EMPLOYMENT*	thous.	February	103,892	0.7	4.8
UNEMPLOYMENT*	thous.	February	8,801	−2.4	−23.6
UNEMPLOYMENT RATE*	percent	February	7.8	−2.5	−25.0
PRICES					
CONSUMER PRICE INDEX (All Items)					
Urban Wage Earners and Clerical Workers (Revised)	1967 = 100	February	303.3	0.2	3.8
All Urban Consumers	1967 = 100	February	306.6	0.5	4.6
PRODUCER PRICE INDEXES					
Finished Goods*	1967 = 100	February	290.2	0.4	2.3
All Commodities	1967 = 100	February	308.8	0.2	2.6

p = preliminary.
'Compared to November, 1983.
*Seasonally adjusted
**Seasonally adjusted at annual rates.

Sources:
General Business Indicators–U.S. Department of Commerce.
Banking and Credit–Board of Governors of the Federal Reserve System.
Construction–U.S. Department of Commerce, The American Appraisal Company.
Employment and Prices–U.S. Department of Labor, Bureau of Labor Statistics.

business activity in hawaii

TOURISM					
OVERNIGHT OR LONGER VISITORS	number	January	379,683	−3.3	16.7
	number	.....	.....	.....	.....
Westbound	number	January	287,320	−4.7	13.8
	number	.....	.....	.....	.....
Eastbound	number	January	92,363	1.4	26.3
	number	.....	.....	.....	.....
AVERAGE DAILY VISITOR CENSUS	number	.....	n.a.	.....	.....
AVERAGE LENGTH OF STAY	no. of days	.....	n.a.	.....	.....
MEETINGS ATTENDANCE	number	January	23,681	320.8	−8.6
ORGANIZED GROUP TOURS	number	January	66,192	26.4	9.7
NEIGHBOR ISLAND VISITORS'					
Maui	number	January	143,909	−3.3	14.4
	number	.....	.....	.....	.....
Hawaii	number	January	61,982	−1.2	0.4
	number	.....	.....	.....	.....
Kauai	number	January	56,892	0.6	29.3
	number	.....	.....	.....	.....
VISITOR ACCOMMODATIONS					
STATE	number	October	60,198	2.2	2.2
Oahu	number	October	35,761	4.0	3.3
Waikiki	number	October	31,846	5.7	5.8
Maui (includes 12 on Lanai)	number	October	11,960	−0.8	5.6
Molokai	number	October	626	−0.5	1.5
Hawaii	number	October	7,243	−1.7	1.7
Kauai	number	October	4,608	3.0	−12.3
HOTEL OCCUPANCY					
STATE	percent	February	89.25	19.2	9.6

p = preliminary.
'Estimated Westbound.

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CURRENT BUSINESS TRENDS

Recent data substantiate the growing momentum of Hawaii's economic recovery. Tourism showed strong upward trends, while construction reported healthy gains. Permit activity growth was substantial, suggesting future increases in both residential and nonresidential construction. Real estate activity was mixed, but generally positive. Business activity was up dramatically which, in turn, pushed up tax collections. Financial institutions enjoyed greater activity in terms of deposits and checking account usage, and employment statistics improved.

The tourist industry reported the best January ever with a record 379,683 overnight and longer visitors. This represented an impressive 16.7 percent improvement over the previous January.

Westbound arrivals were up 13.8 percent over-the-year, from 252,267 in January 1983 to 287,320 this year. Increases were seen in all of the major market segments: Mainland visitors grew by 12.1 percent; European travelers rose by 11.6 percent; and the Canadian market showed a 25.5 percent advance. The Hawaii Visitors Bureau attributed the improved Canadian visitor count to a combination of increased promotional efforts, and a less favorable exchange rate in Mexico, a major competing tourist destination.

Eastbound traffic also showed substantial gains. The number of visitors from Asia and Oceania grew by 26.3 percent between January of 1983 and 1984 from 73,118 to 92,363.

Neighbor Island visitor counts also improved; Maui's increased by 14.4 percent, and the Big Island's edged up by 0.4 percent. Kauai showed the largest gain with a 29.3 percent rise; although the previous year's figures were exceptionally low due to the effects of Hurricane Iwa and related publicity.

During February, hotels reported an impressive 89 percent occupancy rate, the highest rate for the month in five years. This represented a dramatic 19.2 percent gain when compared to January 1984, and 9.6 percent growth when compared to February of the previous year. All of the islands experienced fewer empty hotel rooms. Oahu and Maui were the busiest with 95 percent and 92 percent occupancy respectively. Hawaii and Kauai, while experiencing lower rates of 72 percent and 74 percent, respectively, showed strong improvements when compared to the previous month and the previous year.

In the agricultural areas, sugar was the only commodity to show a decrease. Year-

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
HOTEL OCCUPANCY (continued)					
Oahu	percent	February	94.61	11.9	8.5
Maui	percent	February	91.93	19.2	3.7
Hawaii	percent	February	72.35	41.1	25.9
Kauai	percent	February	74.50	52.7	17.6
DEFENSE EXPENDITURES					
APPROPRIATED FUNDS, TOTAL	mil. $	4th Qtr.	474.0p*	−0.3	5.6
Military Payroll	mil. $	4th Qtr.	202.1p*	−2.6	9.9
Civilian Payroll	mil. $	4th Qtr.	153.7p*	7.4	5.5
Local Purchases	mil. $	4th Qtr.	118.1p*	−5.5	−0.3
SUGAR					
SUGAR PRODUCTION	thous. tons	Jan.-Feb.	46	.....	−26.0
N.Y. RAW SUGAR PRICE	$/ton	February	438.01	1.8	0.6
PINEAPPLE SHIPMENTS					
CANNED	mil. $	January	31	.....	172.4
FRESH	thous. lbs.	Jan.-March	60,791	.....	6.3
DIVERSIFIED AGRICULTURE					
CROPS					
Flowers & Nursery Products[1]					
(wholesale)	thous. $	1982	30,559	.....	3.7
Anthurium (cut) exports	th. dozens	Jan.-Feb.	269.0	.....	6.2
Potted Foliage[2]	thous. $	1982	8,820	.....	21.4
Other[3]	thous. $	1982	16,106	.....	−4.8
Fruits & Nuts	thous. $	1982	41,982	.....	0.0
Papaya Sales	th. lbs.	Jan.-Feb.	9,360	.....	46.6
Average Farm Price	cents/lb.	February	22.0	10.0	−29.7
Macadamia Nut Sales (in shell)	th. lbs.	1983	38,160	.....	3.9
Average Farm Price	cents/lb.	1983	68.0	.....	−8.0
Other[4]	thous. $	1982	3,362	.....	8.4
Vegetable and Melon Production	th. lbs.	Jan.-Feb.	10,544	.....	11.4
Other Crop Sales	thous. $	1982	8,453	.....	−23.0
LIVESTOCK					
Beef Production (dressed wt.)	th. lbs.	Jan.-Feb.	5,413	.....	7.3
Average Farm Price (feedlot beef)	cents/lb.	February	100.0	1.0	2.6
Hog Production (dressed wt.)	th. lbs.	Jan.-Feb.	946	.....	−2.8
Average Farm Price	cents/lb.	February	105.0	4.0	4.0
Milk Production	mil. lbs.	Jan.-Feb.	25.1	.....	6.4
Average Price Sold to Plants	$/100 lbs.	February	20.78	−0.2	0.1
Egg Production	mil.	Jan.-Feb.	33.8	.....	10.1
Average Farm Price	cents/doz.	February	90.5	3.4	4.6
Other Livestock Sales[5]	thous. $	1982	5,814	.....	−1.3
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE	mil. $	January	114.2	.....	17.3
PRIVATE PERMITS AUTHORIZED					
RESIDENTIAL					
STATE	thous. $	Jan.-Feb.	61,679	.....	56.7
C&C of Honolulu	thous. $	Jan.-Feb.	37,368	.....	64.5
Maui County	thous. $	Jan.-Feb.	8,176	.....	71.2
Hawaii County	thous. $	Jan.-Feb.	9,342	.....	50.3
Kauai County	thous. $	Jan.-Feb.	6,793	.....	20.2
SINGLE FAMILY UNITS					
STATE	number	Jan.-Feb.	762	.....	41.3
C&C of Honolulu	number	Jan.-Feb.	450	.....	52.2
Maui County	number	Jan.-Feb.	115	.....	40.2
Hawaii County	number	Jan.-Feb.	147	.....	10.5
Kauai County	number	Jan.-Feb.	50	.....	78.6
MULTIPLE FAMILY UNITS					
STATE	number	Jan.-Feb.	22	.....	83.3
C&C of Honolulu	number	Jan.-Feb.	12	.....	20.0
Maui County	number	Jan.-Feb.	0	.....	0.0
Hawaii County	number	Jan.-Feb.	10	.....	400.0
Kauai County	number	Jan.-Feb.	0	.....	0.0
NONRESIDENTIAL					
STATE	thous. $	Jan.-Feb.	43,993	.....	99.6
C&C of Honolulu	thous. $	Jan.-Feb.	27,565	.....	90.6
Maui County	thous. $	Jan.-Feb.	4,598	.....	109.6
Hawaii County	thous. $	Jan.-Feb.	9,565	.....	393.2
Kauai County	thous. $	Jan.-Feb.	2,266	.....	−34.3
PUBLIC CONTRACTS AWARDED					
TOTAL GOVERNMENT PROJECTS	thous. $	Jan.-March	43,880	.....	−56.0

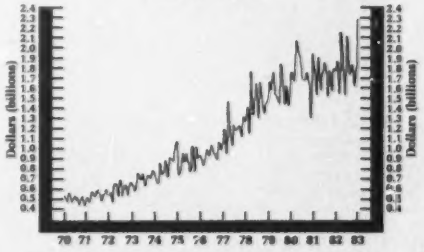
p = preliminary.
*Coast Guard figures not included.
[1]Gross taxable income valued at time of shipment.
[2]Potted foliage grown for indoor or patio use.
[3]Includes cut flowers, cut orchids, lei flowers, cut foliage, other potted plants, unfinished flower and foliage stock, and other nursery products.
[4]Includes avocadoes, bananas, guavas, oranges, passion fruit, and tangerines.
[5]Includes snap beans, cabbage, celery, sweet corn, cucumbers, lettuce, onions, green peppers, tomatoes, and watermelons.
[6]Includes coffee, taro, feed and forage crops, and forest products.
[7]Includes broilers and chickens, turkeys, sheep, wool, horses, honey, and beeswax.

to-date sugar production lagged behind 1983 by 26.0 percent. Both fresh and canned pineapple reported over-the-year growth. Anthuriums, papayas, and vegetables and melons all showed healthy improvements compared to 1983.

Approximately $114 million worth of construction was put in place in January, a 17.3 percent gain over the previous year. Permit authorizations also showed substantial increases, indicating further upturns for construction activity in the near future. The dollar value of both residential and nonresidential authorizations improved when compared to the previous year; residential permits were up by 56.7 percent, and nonresidential permits almost doubled with a 99.6 percent gain. Government projects were the only dark cloud in the otherwise bright picture. Public contracts reported a 64.9 percent drop for the first quarter of 1984 compared to the same period in 1983. On the other hand, the real estate sector was relatively active. The sale and resale of single-family homes showed increases in all counties, while condominium sales increased only on Oahu and Kauai. Unfortunately the recent rise in the prime interest rate will eventually be reflected in increased mortgage rates and overall tightening in the real estate market.

January's business indicators were also up dramatically. Gross business receipts were 30.2 percent ahead of last year, setting a record monthly high of $2.3 billion (see Figure 1). The expansion was wide-based, as all sectors reported a sharp upturn in activity. Diversified agriculture was the front-runner with 61.9 percent growth. Gross revenues in this sector reached a record high of $23.9 million for the month of January. Diversified manufacturing, wholesaling, and services all reported over-the-year expansions in the 30-40 percent range. Retailing also posted a strong 19.5 percent gain, reaching $839.9 million, a record high for monthly transactions.

FIGURE 1
GROSS BUSINESS RECEIPTS
STATE OF HAWAII
1970-1984



Source: Hawaii State Department of Taxation
Note: no monthly data was available for 1977

Consumers were also buying big ticket items. 3,446 new cars were sold in February, representing a 52.1 percent gain over the same period last year.

Inflation remained at a manageable level. The consumer price index for Honolulu for all urban consumers grew by 0.8 percent for the January-February period. Annualized to 4.8 percent, this indicates strong gains in real growth in the economy.

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
PUBLIC CONTRACTS AWARDED (cont'd)					
BY LEVEL OF GOVERNMENT					
FEDERAL	thous. $	Jan.-March	8,663	.....	−29.2
STATE	thous. $	Jan.-March	18,489	.....	−66.6
COUNTY	thous. $	Jan.-March	16,728	.....	−48.1
BY LOCATION OF PROJECT					
C&C of Honolulu	thous. $	Jan.-March	29,514	.....	−64.9
Maui County	thous. $	Jan.-March	2,717	.....	−39.0
Hawaii County	thous. $	Jan.-March	5,549	.....	−47.5
Kauai County	thous. $	Jan.-March	6,100	.....	362.1
HONOLULU CONSTRUCTION COST INDEXES					
SINGLE FAMILY	1967 = 100	March	348.0	1.6	7.4
HIGH-RISE	1967 = 100	March	367.4	1.7	5.4
REAL ESTATE					
OAHU New Sales					
Single Family	number	Jan.-Feb.	435	.....	271.8
Condominium	number	Jan.-Feb.	381	.....	−50.4
Resales					
Single Family	number	Jan.-Feb.	150	.....	2.7
Average Price	dollars	Jan.-Feb.	214,627	.....	0.6
Condominium	number	Jan.-Feb.	205	.....	1.5
Average Price	dollars	Jan.-Feb.	106,474	.....	1.1
MAUI Resales					
Single Family	number	Jan.-Feb.	24	.....	20.0
Average Price	dollars	Jan.-Feb.	131,833	.....	−24.6
Condominium	number	Jan.-Feb.	48	.....	−18.6
Average Price	dollars	Jan.-Feb.	137,617	.....	−15.7
HAWAII Resales					
Single Family	number	Jan.-Feb.	43	.....	2.4
Average Price	dollars	Jan.-Feb.	83,104	.....	−16.0
Condominium	number	Jan.-Feb.	12	.....	−20.0
Average Price	dollars	Jan.-Feb.	124,625	.....	22.0
KAUAI Resales					
Single Family	number	Jan.-Feb.	13	.....	85.7
Average Price	dollars	Jan.-Feb.	142,538	.....	4.1
Condominium	number	Jan.-Feb.	4	.....	33.3
Average Price	dollars	Jan.-Feb.	105,850	.....	−28.4
BUSINESS SALES					
GROSS BUSINESS RECEIPTS	mil. $	January	2,304	.....	30.2
DIVERSIFIED MANUFACTURING	mil. $	January	51	.....	33.4
DIVERSIFIED AGRICULTURE	mil. $	January	24	.....	61.9
RETAILING	mil. $	January	840	.....	19.5
WHOLESALING	mil. $	January	627	.....	38.3
SERVICES	mil. $	January	481	.....	39.2
OAHU NEW CAR SALES	number	February	3,146	−2.3	52.1
PUBLIC UTILITIES					
ELECTRICITY GENERATED	mil. kwh.	February	549.6	−6.9	6.7
GAS SALES	th. therms.	February	4,153.9	2.3	−6.2
TELEPHONE LINES IN SERVICE	thous.	February	464.4	0.4	3.5
HONOLULU PRICES					
HONOLULU CONSUMER PRICE INDEX					
Urban Wage Earners and Clerical Workers (Revised), All Items	1967 = 100	February	284.3	−1.4*	3.5
All Urban Consumers, All Items	1967 = 100	February	280.7	0.8*	3.8

*Compared to December 1983.

Sources:
Tourism—Hawaii Visitors Bureau, Fannell, Kerr, Forster.
Defense—Reports from various branches of the armed forces.
Sugar—Hawaiian Sugar Planters' Association.
Pineapple—Hawaii State Department of Taxation, Hawaii State Department of Agriculture.
Diversified Agriculture—Hawaii State Department of Agriculture.
Construction—Hawaii State Department of Taxation, Honolulu County Building Department, Hawaii, Kauai, and Maui County departments of public works.
Real Estate—Monitor Hawaii, Inc., Locations Inc., First Hawaiian Bank, Research Department.
Business Sales—Hawaii State Department of Taxation, Cardinal Mailing Services, Ltd.
Public Utilities—Hawaiian Electric Company, Inc., Citizens Utilities Company, Molokai Electric Co., Ltd., Gasco, Inc., Hawaiian Telephone Company.
Honolulu Prices—U.S. Department of Labor, Bureau of Labor Statistics.

Employment figures also improved for the third month in a row. Edging downward from 5.7 to 5.6 percent, February's jobless rate fell to the lowest level since December, 1981. Over-the-year, the unemployment rate decreased by a full percentage point.

Over-the-month, the number of jobs in the state showed the usual seasonal gain. February's job count rose to 445,500 from January's 441,500, a 0.9 percent gain. However, the majority of these jobs were temporary. Of the total 4,050 new jobs, more than half were in state government. The convening of the state legislature and the beginning of the new school year at the University of Hawaii and the Department of Education contributed to temporary increases in government payrolls. The service sector also made short-term gains, largely due to tax preparation firms hiring additional staff as they geared up for tax deadlines. Retail trade also increased its job count, as restaurants, department stores, and supermarkets added employees following the post-holiday slump in January.

One of the most significant gains was the 300 job gain seen in the transportation sector. After generally inching downward for a couple of years, transportation jobs jumped by 1.4 percent between January and February. Hawaiian Airlines' expansion of service to the Mainland and a rise in visitors played an important role in the increase.

On the negative side, manufacturing jobs dropped by 0.6 percent largely due to a reduction in the work force at the Dillingham shipyard caused by recent reductions in naval contracts for ship repairs in Hawaii, and the loss of naval vessels previously stationed at Pearl Harbor to home ports on the West Coast. Construction also suffered another small loss over-the-month of 0.3 percent.

As would be expected in view of the overall improved job situation, the unemployment insurance statistics dropped both over-the-month and over-the-year. The number of claims and the amount paid all fell substantially.

Commercial banks experienced sizable gains during the month of February. Total deposits were up 11.1 percent compared to the previous year, going from $5.4 billion to $6.0 billion. Debits to demand deposits, the dollar volume of checks written, increased by 24.9 percent over-the-year, from $7.1 billion to $8.9 billion, indicating a strong growth in spending activity.

Finally, state tax collection for the first two months of the year were up 11.7 percent over the same period in 1983. Revenues grew from $209.1 million to $233.6 million. This was to be expected in view of the marked growth in business activity.

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population and personal income in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
POPULATION					
DE FACTO—STATE	thous	July 1, 1983	1,119	.....	2.9
TOTAL RESIDENT—STATE	thous	July 1, 1983	1,023	.....	2.7
C&C of Honolulu	thous.	July 1, 1983	n.a.	.....	.....
Maui County	thous.	July 1, 1983	n.a.	.....	.....
Hawaii County	thous.	July 1, 1983	n.a.	.....	.....
Kauai County	thous.	July 1, 1983	n.a.	.....	.....
CIVILIAN RESIDENT—STATE	thous.	July 1, 1983	964	.....	2.4
MILITARY PERSONNEL—STATE	number	July 1, 1983	59,021	.....	−3.4
Ashore	number	July 1, 1983	53,755	.....	−0.8
Afloat	number	July 1, 1983	5,266	.....	−23.9
CIVILIAN DEPENDENTS OF MILITARY	number	July 1, 1983	66,252	.....	−0.7
FOREIGN IMMIGRATION[1]	number	12 mo. total for period ending 2/84	5,378	.....	−12.0
PERSONAL INCOME					
TOTAL PERSONAL INCOME[2]	mil. $	3rd Qtr.	12,391	1.2	5.6
Employment Income[3]	mil. $	3rd Qtr.	9,146	0.8	5.9
Manufacturing	mil. $	3rd Qtr.	431	0.5	−0.5
Construction & Mining[4]	mil. $	3rd Qtr.	513	0.4	6.9
Wholesale	mil. $	3rd Qtr.	406	2.5	8.3
Retail	mil. $	3rd Qtr.	1,064	2.1	8.8
Finance, Ins. & Real Estate	mil. $	3rd Qtr.	636	0.5	14.2
Trans., Comm., & Util.	mil. $	3rd Qtr.	815	1.4	2.5
Services	mil. $	3rd Qtr.	1,954	2.5	7.4
Farm & Other	mil. $	3rd Qtr.	315	1.3	9.0
Federal Civilian	mil. $	3rd Qtr.	863	0.1	6.7
Federal Military	mil. $	3rd Qtr.	1,051	−3.1	0.2
State & Local	mil. $	3rd Qtr.	1,098	0.6	4.4
Property Income (Dividends, Interest, Rent)	mil. $	3rd Qtr.	2,182	3.0	3.0
Transfer Payments (1,642) minus Personal Contributions for Social Ins. (579)	mil. $	3rd Qtr.	1,063	0.1	7.9
PER CAPITA PERSONAL INCOME					
STATE PER CAPITA	dollars	1982	11,602	.....	5.2
PER CAPITA BY COUNTY:					
C&C of Honolulu	dollars	1981	11,553	.....	9.0
Maui County	dollars	1981	9,702	.....	7.2
Hawaii County	dollars	1981	8,728	.....	5.0
Kauai County	dollars	1981	9,132	.....	7.2

p = preliminary

**Total personal income and all components are seasonally adjusted at annual rates.

[1]These immigration statistics include only those entering Honolulu ports and do not include status changes.

[2]Includes wage and salary disbursements, proprietors' income, and other labor income.

[3]Income from mining not shown separately to avoid disclosure of confidential information.

Sources:

Population—Hawaii State Department of Planning and Economic Development, U.S. Bureau of the Census, U.S. Immigration and Naturalization Service.

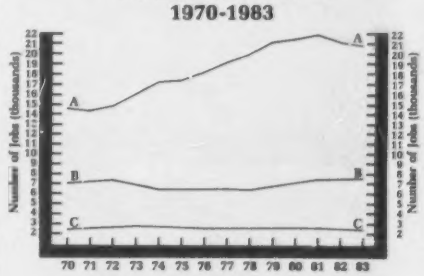
Personal Income—U.S. Department of Commerce, Bureau of Economic Analysis.

TRANSPORTATION, COMMUNICATION AND UTILITIES

The transportation, communication and utilities sector is unique in that the individual industries are strictly regulated by commissions or other public authorities that determine what prices they may charge and what services they may render.

However, in spite of industry regulation, employment trends varied dramatically among the three industries (see Figure 2). Transportation jobs were among the fastest growing sectors of the state's economy, rising from 14,600 in 1970 to 20,800 in 1983. This represented a 42.5 percent jump, well ahead of the total job count growth in Hawaii of 34.2 percent. On the other hand, communication jobs increased by a very modest 7.1 percent between 1970 and 1983, rising from 7,000 to 7,500 jobs. The utility sector reported no net job growth over the same period, the annual job count remaining at 2,450 for both 1970 and 1983.

FIGURE 2
TRANSPORTATION, COMMUNICATION, AND UTILITY EMPLOYMENT STATE OF HAWAII 1970-1983



A. Transportation employment
B. Communication employment
C. Utility employment
Source: State Department of Labor and Industrial Relations

TRANSPORTATION

The transportation sector grew substantially between 1970 and 1980 in response to increased demands created by a growing visitor and resident population. However, slight decreases were seen since 1980 as the economic downturn weakened overall demand for transportation services.

Most of Hawaii's consumer goods are imported from outside of the state, almost all of which is by sea transportation. Cargo tonnage rose 25.8 percent between 1970 and 1980, but dropped by 0.4 percent between 1980 and 1982 due to the economic recession.

Land transportation services include the

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employment and unemployment in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
EMPLOYMENT IN STATE AND COUNTIES (number of persons)					
STATE					
Civilian Labor Force	thous.	February	473.6p	0.9	0.6
Employment	thous.	February	447.1p	1.1	1.7
Unemployment	thous.	February	26.5p	−1.3	−15.1
Unemployment Rate	percent	February	5.6p	−1.8	−15.2
C & C OF HONOLULU					
Civilian Labor Force	thous.	February	362.3p	1.0	0.9
Employment	thous.	February	344.8p	1.3	2.0
Unemployment	thous.	February	17.5p	−3.0	−17.4
Unemployment Rate	percent	February	4.8p	−5.9	−18.6
MAUI COUNTY					
Civilian Labor Force	thous.	February	43.1p	0.5	−0.9
Employment	thous.	February	39.9p	0.1	0.5
Unemployment	thous.	February	3.2p	8.5	−13.5
Unemployment Rate[1]	percent	February	7.4p	7.2	−14.0
HAWAII COUNTY					
Civilian Labor Force	thous.	February	46.4p	1.3	0.1
Employment	thous.	February	42.2p	0.8	1.0
Unemployment	thous.	February	4.1p	7.8	−8.8
Unemployment Rate	percent	February	8.9p	4.7	−9.2
KAUAI COUNTY					
Civilian Labor Force	thous.	February	21.8p	−0.5	−0.5
Employment	thous.	February	20.2p	0.5	−0.2
Unemployment	thous.	February	1.6p	−13.5	−3.0
Unemployment Rate	percent	February	7.4p	−12.9	−1.3
JOB COUNT BY INDUSTRY					
TOTAL JOBS—STATE	thous.	February	445.6p	0.9	0.3
SUGAR (mill and field)	thous.	February	8.2p	1.2	−3.6
PINEAPPLE (cannery and field)	thous.	February	3.6p	−1.4	−11.2
DIVERSIFIED MANUFACTURING (excluding sugar and pineapple)	thous.	February	16.0p	−0.6	0.0
Durable Goods	thous.	February	3.5p	−2.8	−6.7
Non-Durable Goods	thous.	February	12.4p	−0.8	1.6
Apparel and Textiles	thous.	February	2.9p	1.8	1.8
DIVERSIFIED AGRICULTURE (excluding sugar and pineapple but including agricultural self-employed)	thous.	February	7.4p	3.5	1.4
CONTRACT CONSTRUCTION	thous.	February	17.4p	−0.3	−3.9
TRANSPORTATION	thous.	February	21.0p	1.4	1.2
COMMUNICATION	thous.	February	7.4p	0.0	−2.0
UTILITIES	thous.	February	2.4p	0.0	−2.0
RETAIL TRADE	thous.	February	89.3p	1.0	2.9
WHOLESALE TRADE	thous.	February	18.0p	−0.3	−1.4
FINANCE, INSURANCE AND REAL ESTATE	thous.	February	31.2p	0.2	−1.6
HOTEL SERVICES—STATE	thous.	February	27.4p	−0.9	2.4
Honolulu County	thous.	February	15.4p	−0.3	4.4
Maui County	thous.	February	6.2p	−2.4	−3.1
Hawaii County	thous.	February	3.5p	−1.4	−4.1
Kauai County	thous.	February	2.2p	−4.3	12.5
OTHER SERVICES	thous.	February	78.0p	1.1	0.2
FEDERAL GOVERNMENT	thous.	February	31.6p	−0.3	−1.7
Civilian Agencies	thous.	February	11.1p	−0.4	−0.9
Defense Department	thous.	February	20.6p	0.2	−1.9
STATE GOVERNMENT	thous.	February	47.7p	5.0	0.4
COUNTY GOVERNMENT	thous.	February	12.6p	0.4	1.2
UNEMPLOYMENT INSURANCE CLAIMS AND PAYMENTS					
INSURED UNEMPLOYMENT (weekly average)	number	February	12,795	−7.1	−22.1
INTRASTATE INITIAL CLAIMS	number	February	5,534	−26.9	−9.7
INTERSTATE INITIAL CLAIMS	number	February	323	−22.7	−24.0
UNEMPLOYMENT INSURANCE BENEFITS	thous. $	February	5,788	−14.8	−21.4

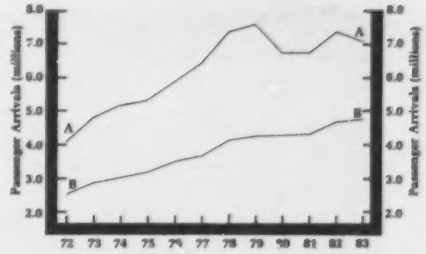
p = preliminary.

Sources:
Employment, Job Count, and Unemployment Insurance—Hawaii State Department of Labor and Industrial Relations.

municipal bus system, private tour buses and limousines, ambulances, and commercial trucking. The growing cost of operating and maintaining cars, increasing fuel costs, more tourists, and a growing population all contributed to large increases in the public transit system. Bus mileage expanded dramatically from 4.6 million miles in 1970 to 16.6 million miles in 1980, but remained relatively constant between 1980 and 1982. The number of passengers more than doubled between 1970 and 1980 going from 30.4 million to 71.6 million, and has continued to grow since then. In 1982 a total of 74.1 million passengers used the public bus system.

Air transportation showed divergent trends in 1983. Transpacific arrivals improved by 1.9 percent, rising to a record high of 4.8 million passengers (see Figure 3). Decreased air fares coupled with an improved economy stimulated tourism in 1982, although fares were rising in 1983. On the other hand, interisland passenger arrivals dropped by 4.0 percent due to the use of direct flights from the Mainland to the Neighbor Islands. The increased competition led to discounted fares in 1983. While this was a boon to interisland travelers, it created problems for both Hawaiian and Aloha Airlines. With higher overheads than the low-cost Mid Pacific Air, they have had to lay off employees.

FIGURE 3
AIR PASSENGER ARRIVALS
STATE OF HAWAII
1972-1983



A. Inter-island arrivals
B. Transpacific arrivals
Source: State Department of Transportation

COMMUNICATIONS

Jobs in the communications sector remained relatively stable over the years. Expansion in services, necessitated by a growing population, was achieved through technological advancement rather than increased employment. Commercial and noncommercial television and radio stations grew from 42 in 1973 to a high of 58 in 1982, but then dropped to 54 in 1983. Cable television remained stable at 10 companies.

Telephones in service showed strong growth as businesses and the population expanded over the years (see Figure 4). The number of telephones rose from 445,995 in 1971 to 728,352 in 1981. (Hawaiian Telephone suspended this statistical series in 1982, replacing it by telephone access lines. Access lines represent the lines connecting customers to the network regardless of ownership of the customer's equipment.) Access lines continued to exhibit the same upward

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public assistance in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
PUBLIC ASSISTANCE					
RECIPIENTS[1]					
Income Maintenance	no./persons	February	62,547	−0.6	−3.3
Services	no./cases	4th Qtr.	6,829	−4.0	8.2
Medical	no./patients	February	46,390	−1.4	−9.4
Food Stamps	no./persons	January	100,295	1.4	−2.5
PAYMENTS					
Income Maintenance	thous. $	February	8,680	−1.1	−4.5
Services	thous. $	4th Qtr.	3,633	6.4	−1.6
Medical	thous. $	February	11,878	−2.3	−5.8
Food Stamps	thous. $	January	6,717	−1.6	−1.8

[1]Count of recipients is duplicated. A person may be counted in each category.

Sources:
Public Assistance—Hawaii State Department of Social Services and Housing.

banking and finance in hawaii

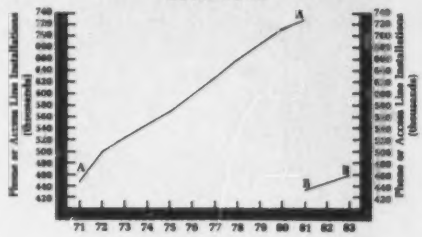
FINANCE					
COMMERCIAL BANKS					
Total Deposits					
STATE	mil. $	February	5,990	1.8	11.1
Honolulu County	mil. $	February	4,930	1.2	11.2
Maui County	mil. $	February	387	6.9	13.3
Hawaii County	mil. $	February	453	3.0	12.0
Kauai County	mil. $	February	221	4.0	4.9
Debits to Demand Deposits					
STATE	mil. $	February	8,912	20.5	24.9
Honolulu County	mil. $	February	8,327	22.8	26.8
Maui County	mil. $	February	244	−5.5	5.7
Hawaii County	mil. $	February	247	−6.1	5.6
Kauai County	mil. $	February	94	−3.0	−9.6
Loans Outstanding	mil. $	4th Qtr.	3,765	3.4	2.5
Real estate	mil. $	4th Qtr.	1,652	0.0	3.1
Consumer	mil. $	4th Qtr.	853	4.9	3.9
Commercial & Industrial	mil. $	4th Qtr.	1,152	9.9	7.2
Other	mil. $	4th Qtr.	108	−15.4	−38.8
SAVINGS & LOAN ASSOCIATIONS					
Total Deposits	mil. $	January	3,722	1.3	7.3
Loans	mil. $	January	33	−49.5	62.5
Residential	mil. $	January	11	−70.9	87.4
Other	mil. $	January	20	−1.7	49.4
STATE TAX COLLECTIONS[2]					
TAX COLLECTIONS—STATE	thous. $	Jan.-Feb.	233,623	.....	11.7
Honolulu County	thous. $	Jan.-Feb.	203,973	.....	12.3
Maui County	thous. $	Jan.-Feb.	12,392	.....	23.3
Hawaii County	thous. $	Jan.-Feb.	12,491	.....	6.3
Kauai County	thous. $	Jan.-Feb.	4,767	.....	1.9

[1]Includes data for both Hawaii and Guam.
[2]Excludes property taxes which were formerly collected by the State but are now collected by the Counties.

Sources:
Finance—Hawaii State Department of Commerce and Consumer Affairs. Federal Deposit Insurance Corporation reports. Federal Home Loan Bank of Seattle.
State Tax Collections—Hawaii State Department of Taxation.

trend, growing by 2.9 percent between 1982 and 1983 from 445,452 to 458,339.

FIGURE 4
TELEPHONE INSTALLATIONS
STATE OF HAWAII
1971-1983



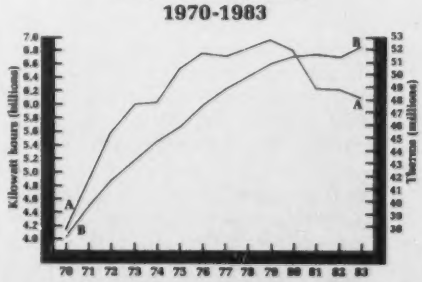
A. Phones installed
B. Access lines installed
Source: Hawaiian Telephone Co.

Recent Federal Communication Commission (FCC) rulings deregulating the industry have led to a proliferation of alternate long distance phone companies. RCA dramatically contributed to this by setting up its own $8 million earth station, thus ending Hawaiian Telephone's domination of the market. With its own satellite system it provided wholesale service to other companies like Sprint and MCI at rates 20-40 percent below Hawaiian Telephone Co.

UTILITIES

Like the communications sector, utility companies are capital-intensive rather than depending on labor for growing services. In spite of little job growth in the utilities between 1970 and 1983, gas and electricity sales showed strong gains until the oil crisis of 1979 (see Figure 5). The oil shortage led to rapid price increases leading to much higher gas and electricity bills. The implementation of both conservation and alternative energy systems by customers almost immediately reduced consumption. Gas consumption has continued to show annual declines, in part due to Pacific Resources, Inc. going into the alternative energy business. Electricity sales had three relatively flat years, but picked up in 1983, as the current world oil situation shifted to a surplus. The 1983 upturn was attributed to increased usage by the military, as well as warmer, drier weather.

FIGURE 5
GAS AND ELECTRICITY SALES
STATE OF HAWAII
1970-1983



A. Gas sales (right-hand scale)
B. Electricity generated (left-hand scale)
Source: Gasco, Inc.; Hawaiian Electric Co., Inc.; Molokai Electric Co., Ltd.; and Citizens Utilities Co.

ECONOMIC INDICATORS

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by the Research Department, First Hawaiian Bank

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The State Functional Plans and Their Impact on Economic Development in Hawaii

One of the more significant actions of the recently adjourned state legislative session was the passage of ten of the twelve State Functional Plans. The State Functional Plans are the primary guideposts for implementing the Hawaii State Plan, and delineate specific objectives, policies, and actions designed to implement the more general directions established in the State Plan.

In total, there are twelve Functional Plans including: agriculture, conservation lands, education, energy, health, higher education, historic preservation, housing, recreation, transportation, and water resources development. Two plans, agriculture and education, remain under legislative consideration. While the Functional Plans are not statutory in nature, and do not legally mandate specific actions by state or county governments, they will undoubtedly exert a strong influence on resource allocation and decision making in the years to come. One important concern is their impact on economic development in Hawaii. While each plan will have some general effect on the economy, attention will be focussed on the Tourism and Agriculture Functional Plans as they most directly affect economic activity in Hawaii.

The goal of the State Tourism Functional Plan entails: "The achievement of a visitor industry that constitutes a major component of steady growth for Hawaii's economy." Major policy areas are: (1) tourism promotion; (2) physical development; (3) employment and career development; and (4) community relations.

The first area focusses on the growing importance of marketing and promotion for the tourist industry, and increased assistance in overseas promotion of Hawaii's vacation attractions.

The second entails the development of a well-designed and adequately serviced visitor industry reflecting the needs of Hawaii's people. Related policies include: (1) ensuring that tourist activities reflect the needs of Hawaii residents; (2) improving the quality of visitor destination areas; (3) encouraging greater public and private-sector cooperation in providing well-designed and serviced facilities; and (4) ensuring that facilities and destination areas are sensitive to existing communities.

The third area concerns tourist-related training programs to widen employment opportunities for Hawaii residents. Related policies include: (1) providing the greatest number of primary jobs and stable employment within the industry; and (2) providing training opportunities for upward mobility in the industry.

The fourth area emphasizes better relations between the visitor industry and the community. Specific policies include: (1) fostering a recognition of the contribution of tourism to Hawaii's economy, and the importance of the Aloha Spirit; and (2) enhancing visitor understanding of the unique character of Hawaii's culture and values.

The State Agriculture Plan identifies the major issues affecting Hawaiian agriculture, and resource requirements in seven areas: (1) government support; (2) land; (3) water; (4) capital; (5) labor; (6) transportation; and (7) energy research and development.

The first area entails the achievement of maximum public benefit from public agricultural assistance. Specific policies include: (1) supporting pest and disease control programs; (2) encouraging agricultural cooperatives; (3) utilizing agricultural industry analyses to guide agricultural assistance programs; and (4) setting priorities for agricultural assistance.

The second area involves the use of lands most suitable for agriculture. Policies include: (1) determining suitable locations for agriculture; (2) providing public lands at reasonable cost and tenure for agriculture; (3) continuing the statewide system of agricultural parks; (4) encouraging more productive use of lands; and (5) providing greater protection to agricultural lands according to the Hawaii State Constitution.

The third involves the provision of adequate water for agricultural use, and includes: (1) improved water resource management; and (2) expanding water resources statewide. The fourth calls for the provision of capital for agricultural development, and involves providing additional funds for agricultural and aquacultural loans. The fifth involves the supply of properly trained labor for agricultural needs through the evaluation and expansion of agricultural training at the secondary and post-secondary school levels. The sixth involves adequate, and reasonably priced air and surface transportation, as well as support facilities, to meet present and future agricultural needs. The seventh, energy research and development, involves the role of agriculture in the development of biomass energy as an alternative energy source.

These goals, and policies for tourism and agriculture indicate the directions toward which these industries can be expected to move in the future. More detailed analyses of each industry should include the specific actions designed to implement particular policies. As statements of intent, however, these documents will have a profound effect on the course of state and county policy decisions and resource allocation patterns in the future.

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ECONOMIC INDICATORS

Research Department, First Hawaiian Bank May/June 1984

Hawaii's Consumption and Income Patterns

Evidence indicates that Hawaii is one of the leading consumption states in the nation. Statistics from the Bureau of Labor Statistics (BLS) show that, as of 1981, an average intermediate-income family of four in Hawaii had the *highest* overall family budget in the nation. Hawaii families needed $31,893 or 26 percent more per year to live comfortably than the average U.S. urban family.

Why is living in Hawaii so expensive? While expenditures for transportation, clothing, medical, and personal expenditures were similar to national consumption trends, spending for food, housing, and taxes were far above the national average. These are discussed in more detail below.

Transportation expenses were only 2 percent above the national norm. This is due in part to the fact that high fuel costs are offset by lower operating costs due to the absence of winter weather. Clothing and personal care expenses, on the other hand, were 7 and 16 percent, respectively, above the national norm. While Hawaii residents buy less clothing, they pay substantially more for individual items. Medical expenses for Hawaii families were only 10 percent above the national norm due to the high proportion of doctors and dentists relative to the total resident population in Hawaii.

However, Hawaii families paid 37 percent more than Mainland families for food consumed at home. Housing costs in Hawaii were also high. House furnishings and operations cost 16 percent more than on the Mainland, reflecting the higher cost of imported household goods. Rental costs, which include contract rent plus fuel, utilities, and insurance, were 46 *percent* above the national norm. These figures are substantiated by 1980 U.S. Census data which rank Hawaii *second* in the nation in terms of median gross rental rates, and *third* nationwide in terms of the percentage of households in the rental market. Homeownership costs, including mortgage payments, taxes, insurance, fuel, utilities, and repair and maintenance costs, were also high in Hawaii, outranking Mainland cities by 12 percent. This is also corroborated by U.S. Census data which rank Hawaii *first* across the nation in terms of median value of owner occupied housing, *and* average property values. Both costs contribute to the fact that Hawaii residents paid the *second* highest rate of average mortgage payments across the country in 1980. The only factor offsetting high rental and ownership costs in Hawaii is the reduced need for climatic controls such as insulation and heating in winter and air conditioning in summer.

However, the heaviest contributor to the high cost of living in Hawaii was personal taxes. Hawaii households paid on average 62 *percent* more for taxes than families in Mainland cities; or more than in all other major cities nationwide. These figures are again corroborated by U.S. Census data which rank Hawaii fourth nationwide in 1981 in terms of state and local tax revenues per capita, and ninth nationwide in terms of state and local expenditures per capita. The general-excise tax is a major component of the heavy tax burden Hawaii residents bear.

Why are these costs so high? In general, the reasons fall into two categories: "economic" factors due to geographic conditions peculiar to Hawaii's location in the Pacific; and "institutional" factors due to the choices that we, as an electorate, make in the allocation of social and private resources. For example, Hawaii's isolation from overseas producers, dependence on overseas shipping, and resulting high import costs, as well as the need to maintain larger inventories of business inputs and consumer goods, conspire to drive the cost of living above Mainland norms. These costs, which affect most of Hawaii's basic consumption goods, are "economic" in that they reflect the realities of Hawaii's size and geographic location, which cannot be changed. On the other hand, lack of available land for housing, overly complex building permit procedures and code regulations reflect institutional factors that are more amenable to modification by legislative means. For example, government regulations can raise the cost of housing by as much as 25 percent. The same applies to the high cost and level of government services provided in Hawaii. That 57 percent of the total difference between the expenditures of Hawaiian and Mainland families was due to higher housing and tax costs means that over half of the higher costs of family consumption in Hawaii are attributable to institutional factors. In short, government policies and fiscal burden are among the main contributors to the financial squeeze being experienced by Hawaiian families.

How do Hawaii families manage such high costs of living? Simply put, families have to have more wage earners in the labor force. Even though BLS data show that Hawaii ranked 32nd in terms of average annual pay per worker in 1982, according to the 1980 Census, Hawaii ranked *second* nationally in terms of average household income. Hawaii has one of the highest rates of multi-wage earner families, 62 percent compared to 54 percent nationally. Hawaii also ranks fourth nationally in terms of women in the labor force, and 11th in terms of the overall labor force to population ratio. Hawaii also reported the second highest number of people per household, and the lowest ratio of single-person households across the country. The high cost of living appears to be making it necessary to share residences with family or friends.

The implications of these statistics are sobering. They boil down to the suggestion that the high costs of living in Hawaii might actually be causing serious distortions in the socio-economic structure of Hawaiian society by forcing more secondary wage earners into the labor force than might have been necessary if the costs of living were not so high. This contributes to more competition for fewer jobs, downward pressures on wages, tighter living conditions, and a perpetuation of the vicious cycle of decreasing per capita income in the face of increasing costs of living. At the very least, the statistics imply that Hawaii residents do not spend more because they earn more; to the contrary, Hawaii residents earn more because they are forced to spend more. In addition, while it is true that government expenditures do make a significant contribution to the quality of life, concern is justified over the way in which the costs of government have distorted household budgets in Hawaii, and the changes necessary to bring Hawaii expenditure patterns more in line with those experienced nationwide.

FIRST HAWAIIAN BANK
Established 1858 • Member of F.D.I.C.

u. s. economic indicators

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
GENERAL BUSINESS INDICATORS					
COMPOSITE INDEX OF LEADING INDICATORS*	1967 = 100	March	165.5	−1.1	9.9
GROSS NATIONAL PRODUCT**					
In Current Dollars	bil. $	1st Qtr.	3,541.2p	3.1	11.7
In 1972 Dollars	bil. $	1st Qtr.	1,604.3p	2.0	7.7
PERSONAL INCOME**	bil. $	March	2,940.5p	0.5	10.1
RETAIL SALES*	mil. $	March	103,400p	−2.2	10.2
BANKING AND CREDIT					
DEBITS TO DEMAND DEPOSITS**	bil. $	February	70,973.1	2.9	23.2
BANK LOANS*	bil. $	February	1,161.6p	1.7	10.8
AVERAGE PRIME RATE CHARGED BY BANKS	percent	April	11.93	6.4	13.6
CONSUMER INSTALLMENT DEBT*	mil. $	February	399,795	1.7	16.6
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE**	bil. $	March	295.6p	1.2	22.2
CONSTRUCTION COST INDEXES					
Residences	1967 = 100	January	352.2	2.4'	6.2
Apts, Hotel, Office Bldgs	1967 = 100	January	356.3	1.0'	5.9
EMPLOYMENT					
CIVILIAN EMPLOYMENT*	thous.	March	104,140	0.2	4.9
UNEMPLOYMENT*	thous.	March	8,772	−0.3	−23.2
UNEMPLOYMENT RATE*	percent	March	7.8	0.0	−24.3
PRICES					
CONSUMER PRICE INDEX (All Items)					
Urban Wage Earners and Clerical Workers (Revised)	1967 = 100	March	303.3	0.0	3.5
All Urban Consumers	1967 = 100	March	307.3	0.2	4.7
PRODUCER PRICE INDEXES					
Finished Goods*	1967 = 100	March	291.6	0.5	2.9
All Commodities	1967 = 100	March	311.1	1.0	3.5

p = preliminary.
'Compared to December, 1983.
*Seasonally adjusted.
**Seasonally adjusted at annual rates.

Sources:
General Business Indicators—U.S. Department of Commerce.
Banking and Credit—Board of Governors of the Federal Reserve System.
Construction—U.S. Department of Commerce, The American Appraisal Company.
Employment and Prices—U.S. Department of Labor, Bureau of Labor Statistics.

business activity in hawaii

TOURISM					
OVERNIGHT OR LONGER VISITORS	number	February	397,355	4.7	14.1
	number	Jan.-Feb.	777,040	.....	15.3
Westbound	number	February	314,095	9.3	14.3
	number	Jan.-Feb.	601,335	.....	14.1
Eastbound	number	February	83,260	−9.9	13.3
	number	Jan.-Feb.	175,625	.....	19.8
AVERAGE DAILY VISITOR CENSUS'	number	.....	n.a.	.....	.....
AVERAGE LENGTH OF STAY'	no. of days	.....	n.a.	.....	.....
MEETINGS ATTENDANCE	number	February	12,054	−49.1	34.9
ORGANIZED GROUP TOURS	number	February	73,910	11.7	24.9
NEIGHBOR ISLAND VISITORS'					
Maui	number	February	166,585	22.0	20.5
	number	Jan.-Feb.	303,085	.....	17.3
Hawaii	number	February	76,515	23.9	17.4
	number	Jan.-Feb.	138,285	.....	11.5
Kauai	number	February	71,135	24.0	38.4
	number	Jan.-Feb.	128,500	.....	37.6
VISITOR ACCOMMODATIONS					
STATE	number	October	60,198	2.2	2.2
Oahu	number	October	35,761	4.0	3.3
Waikiki	number	October	31,846	5.7	5.8
Maui (includes 12 on Lanai)	number	October	11,960	−0.8	5.6
Molokai	number	October	626	−0.5	1.5
Hawaii	number	October	7,243	−1.7	1.7
Kauai	number	October	4,608	3.0	−12.3
HOTEL OCCUPANCY					
STATE	percent	March	88.11	−1.3	9.9

n.a. = not available.
'Estimated Westbound.

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CURRENT BUSINESS TRENDS

Hawaii's economic recovery continued to show strength during the previous month. Most major indicators reported upward trends: tourism logged another good month, business transactions and tax collections remained strong, personal income showed a healthy gain, and labor force statistics improved.

The Hawaii Visitors Bureau recently released figures on February's visitor count. The data substantiated what the industry already knew: that February was a record-breaking month. A total of 397,355 visitors arrived in February, an impressive 14.1 percent gain over the previous year. This brought the cumulative total, for the first two months of the year, to 777,040, representing a 15.3 percent increase over the same period in 1983. Tourist traffic was such that at times during the month, some hotels were paying guests to leave. Cold weather seemed to be the motivating factor. Dramatic growth was reported in visitor counts from the New England states, the Mid-Atlantic states, and Canada.

Reflecting the strengthening of the visitor industry, hotel room occupancy rates improved by approximately 10 percent between March of 1983 and 1984, from 80.2 percent to 88.1 percent. Oahu and Maui, already with occupancy rates in the 90 percent bracket, showed proportionately less improvement of 6.1 and 3.1 percent, respectively. Hawaii and Kauai, however, showed dramatic growth. In March of 1983, hotels on these islands utilized only 50 to 60 percent of their rooms. During March of 1984, Kauai's rate improved by 35.6 percent, and Hawaii's grew by 32.4 percent. Kauai's low 1983 visitor statistics reflected the after-effects of Hurricane Iwa. On the Big Island, the bulk of the growth was on the Hilo side, where tourist arrivals increased to view the volcanic eruptions.

Sugar production started the year out slowly. However, the first quarter of 1984 came out 20.7 percent ahead of the same period of 1983. Given the fact that prices remained stable during the same period, the prospects look optimistic for sugar.

Pineapple also experienced strong growth. Canned pineapple production increased by 77.7 percent for the January-February period, while fresh pineapple shipments improved by 11.9 percent over the previous year.

Diversified agricultural products also saw significant increases. Anthurium outshipments reported a 7.7 percent gain be-

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
HOTEL OCCUPANCY (continued)					
Oahu	percent	March	93.15	−1.5	6.1
Maui	percent	March	90.84	−1.2	3.1
Hawaii	percent	March	68.06	−5.9	32.4
Kauai	percent	March	78.14	4.9	35.6
DEFENSE EXPENDITURES					
APPROPRIATED FUNDS TOTAL	mil. $	1st Qtr.	476.5*	0.5	−1.2
Military Payroll	mil. $	1st Qtr.	199.9*	−1.1	8.3
Civilian Payroll	mil. $	1st Qtr.	136.3*	−11.3	3.8
Local Purchases	mil. $	1st Qtr.	140.2*	18.7	−15.7
SUGAR					
SUGAR PRODUCTION	thous. tons	Jan.-Mar.	145	.....	20.7
N.Y. RAW SUGAR PRICE	$/ton	March	440.32	0.5	0.8
PINEAPPLE SHIPMENTS					
CANNED	mil. $	Jan.-Feb.	42	.....	77.7
FRESH	thous. lbs.	Jan.-April	85,785	.....	11.9
DIVERSIFIED AGRICULTURE					
CROPS					
Flowers & Nursery Products					
Wholesale	thous. $	1982	30,559	.....	3.7
Anthurium Cut Shipments	th. dozens	Jan.-March	393.1	.....	7.7
Potted Foliage	thous. $	1982	8,820	.....	21.4
Other*	thous. $	1982	16,106	.....	−4.8
Fruits & Nuts	thous. $	1982	41,982	.....	0.0
Papaya Sales	th. lbs.	Jan.-March	15,060	.....	75.4
Average Farm Price	cents/lb.	March	18.0	−18.2	−56.2
Macadamia Nut Sales (in shell)	th. lbs.	1983	38,160	.....	3.9
Average Farm Price	cents/lb.	1983	68.0	.....	−8.0
Other*	thous. $	1982	3,362	.....	8.4
Vegetable and Melon Production	th. lbs.	Jan.-March	17,277	.....	10.4
Other Crop Sales*	thous. $	1982	8,453	.....	−23.0
LIVESTOCK					
Beef Production (dressed wt.)	th. lbs.	Jan.-March	7,949	.....	−1.1
Average Farm Price (live/cwt basis)	cents/lb.	March	99.0	−1.0	−4.3
Hog Production (dressed wt.)	th. lbs.	Jan.-March	1,451	.....	0.2
Average Farm Price	cents/lb.	March	103.0	−1.9	2.0
Milk Production	mil. lbs.	Jan.-March	38.3	.....	4.4
Average Price Paid Farmers	$/100 lbs.	March	20.27	−2.5	−1.9
Egg Production	mil.	Jan.-March	51.8	.....	7.7
Average Farm Price	cents/doz.	March	92.0	1.7	6.4
Other Livestock Sales*	thous. $	1982	5,814	.....	−1.3
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE	mil. $	Jan.-Feb.	215.1	.....	−4.0
PRIVATE PERMITS AUTHORIZED					
RESIDENTIAL					
STATE	thous. $	Jan.-March	88,932	.....	16.1
C&C of Honolulu	thous. $	Jan.-March	52,613	.....	37.2
Maui County	thous. $	Jan.-March	10,123	.....	28.8
Hawaii County	thous. $	Jan.-March	13,168	.....	−20.8
Kauai County	thous. $	Jan.-March	13,029	.....	−5.3
SINGLE FAMILY UNITS					
STATE	number	Jan.-March	1,058	.....	23.3
C&C of Honolulu	number	Jan.-March	625	.....	36.8
Maui County	number	Jan.-March	147	.....	16.7
Hawaii County	number	Jan.-March	216	.....	−0.9
Kauai County	number	Jan.-March	70	.....	−22.8
MULTIPLE FAMILY UNITS					
STATE	number	Jan.-March	65	.....	32.7
C&C of Honolulu	number	Jan.-March	18	.....	28.6
Maui County	number	Jan.-March	0	.....	0.0
Hawaii County	number	Jan.-March	12	.....	−65.7
Kauai County	number	Jan.-March	35	.....	**
NONRESIDENTIAL					
STATE	thous. $	Jan.-March	56,268	.....	42.7
C&C of Honolulu	thous. $	Jan.-March	37,181	.....	37.7
Maui County	thous. $	Jan.-March	5,796	.....	48.5
Hawaii County	thous. $	Jan.-March	10,437	.....	197.6
Kauai County	thous. $	Jan.-March	2,854	.....	−43.2
PUBLIC CONTRACTS AWARDED					
TOTAL GOVERNMENT PROJECTS	thous. $	Jan.-April	107,436	.....	2.6

*Coast Guard figures not included.
•Gross taxable income valued at time of shipment.
•Potted foliage grown for indoor or patio use.
•Includes cut flowers, cut orchids, lei flowers, cut foliage, other potted plants, unfinished flower and foliage stock, and other nursery products.
•Includes avocadoes, bananas, guavas, oranges, passion fruit, and tangerines.
•Includes snap beans, cabbage, celery, sweet corn, cucumbers, lettuce, onions, green peppers, tomatoes, and watermelons.
•Includes coffee, taro, feed and forage crops, and forest products.
•Includes broilers and chickens, turkeys, sheep, wool, horses, honey, and beeswax.

tween the first quarters of 1983 and 1984. Papaya sales expanded by 75.4 percent. Extensive replanting of trees following Hurricane Iwa are now reaching peak production. However, in response to the increased supply, prices dropped by 56.2 percent. Vegetables and melons continued to show higher production levels, increasing by 10.4 percent between the first quarters of 1983 and 1984.

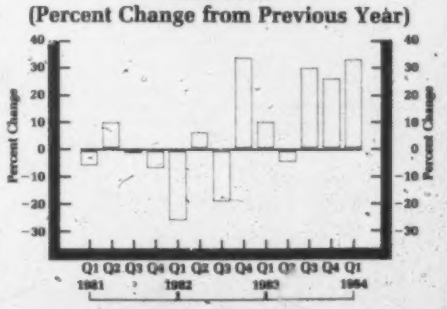
The construction industry continued to lag the overall recovery. Construction-put-in-place for the first two months of 1984 was 4.0 percent below the same period of 1983. This decline in dollar activity was mirrored in the employment figures. Construction jobs recorded an over-the-month drop of 1.1 percent, a continuation of the overall downward trend experienced by the industry since the beginning of 1981. However, not all was negative.

Public contracts and private permits indicate that building activity should pick up. In the private sector, permit approvals for residential structures showed a 16.1 percent over-the-year improvement compared to the first quarter of 1983. Nonresidential permits increased by 42.7 percent during the same time span. In the public sector, the value of contracts awarded during 1984 finally edged into the positive column. Government construction got off to a very slow start this year, especially when compared to the first months of 1983, which were exceptionally high. Giving the 1984 figures a substantial boost was the state's $19 million contract for the construction of Kauai's new airport terminal, and the federal government's $12 million contract for construction of new barracks at Schofield.

Single family home sales increased on all islands except for Hawaii during the first quarter of 1984. Condominium sales expanded by a healthy 9.4 percent on Oahu, but remained flat or showed a slight drop on the Neighbor Islands.

New car sales on Oahu reported a 2.8 percent growth between March of 1983 and 1984. This was a relatively small gain compared to previous months, but in general this sector is subject to large monthly fluctuations. Looking at cumulative figures, the first quarter of 1984 reported 32.9 percent more new cars sold. Overall, car dealers have enjoyed strong sales since the middle of 1983, consistently outperforming sales of the previous year (see Figure 1).

FIGURE 1
OAHU NEW CAR SALES
1981-1984
(Percent Change from Previous Year)



Source: Cardinal Mailing Service

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
PUBLIC CONTRACTS AWARDED (continued)					
BY LEVEL OF GOVERNMENT					
FEDERAL	thous. $	Jan.-April	30,440	.....	146.5
STATE	thous. $	Jan.-April	55,831	.....	−3.8
COUNTY	thous. $	Jan.-April	21,166	.....	−38.3
BY LOCATION OF PROJECT					
C&C of Honolulu	thous. $	Jan.-April	69,401	.....	−20.1
Maui County	thous. $	Jan.-April	4,971	.....	−14.9
Hawaii County	thous. $	Jan.-April	6,278	.....	−38.5
Kauai County	thous. $	Jan.-April	26,785	.....	1,444.1
HONOLULU CONSTRUCTION COST INDEXES					
SINGLE FAMILY	1967 = 100	April	347.6	−0.1	7.3
HIGH-RISE	1967 = 100	April	366.7	−0.2	5.2
REAL ESTATE					
OAHU: New Sales					
Single Family	number	Jan.-March	493	.....	92.6
Condominium	number	Jan.-March	564	.....	−43.1
Resales					
Single Family	number	Jan.-March	296	.....	13.4
Average Price	dollars	Jan.-March	195,271	.....	5.0
Condominium	number	Jan.-March	408	.....	9.4
Average Price	dollars	Jan.-March	102,619	.....	−4.3
MAUI: Resales					
Single Family	number	Jan.-March	47	.....	30.6
Average Price	dollars	Jan.-March	165,946	.....	−4.6
Condominium	number	Jan.-March	82	.....	−14.6
Average Price	dollars	Jan.-March	142,198	.....	−6.6
HAWAII: Resales					
Single Family	number	Jan.-March	67	.....	−21.2
Average Price	dollars	Jan.-March	79,777	.....	−18.1
Condominium	number	Jan.-March	20	.....	−35.5
Average Price	dollars	Jan.-March	106,250	.....	2.8
KAUAI: Resales					
Single Family	number	Jan.-March	20	.....	150.0
Average Price	dollars	Jan.-March	124,625	.....	−11.1
Condominium	number	Jan.-March	8	.....	33.3
Average Price	dollars	Jan.-March	111,988	.....	−28.6
BUSINESS SALES					
GROSS BUSINESS RECEIPTS	mil. $	Jan.-Feb.	4,116	.....	13.0
DIVERSIFIED MANUFACTURING	mil. $	Jan.-Feb.	92	.....	16.5
DIVERSIFIED AGRICULTURE	mil. $	Jan.-Feb.	39	.....	16.6
RETAILING	mil. $	Jan.-Feb.	1,478	.....	7.9
WHOLESALING	mil. $	Jan.-Feb.	1,074	.....	17.2
SERVICES	mil. $	Jan.-Feb.	918	.....	18.3
OAHU NEW CAR SALES	number	March	2,540	−30.7	2.8
PUBLIC UTILITIES					
ELECTRICITY GENERATED	mil. kwh.	March	592	7.8	3.1
GAS SALES	th. therms.	March	4,187	0.8	1.3
TELEPHONE LINES IN SERVICE	thous.	March	465	0.2	3.5
HONOLULU PRICES					
HONOLULU CONSUMER PRICE INDEX					
Urban Wage Earners and Clerical Workers (Revised): All Items	1967 = 100	February	284.3	−1.4*	3.5
All Urban Consumers: All Items	1967 = 100	February	280.7	0.8*	3.8

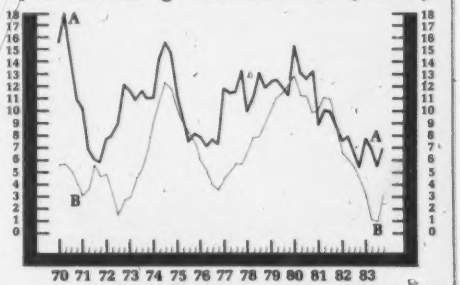
*Compared to December, 1983.

Sources:
Tourism—Hawaii Visitors Bureau, Pannell, Kerr, Forster.
Defense—Reports from various branches of the armed forces.
Sugar—Hawaiian Sugar Planters' Association.
Pineapple—Hawaii State Department of Taxation, Hawaii State Department of Agriculture.
Diversified Agriculture—Hawaii State Department of Agriculture.
Construction—Hawaii State Department of Taxation, Honolulu County Building Department, Hawaii, Kauai, and Maui County departments of public works.
Real Estate—Monitor Hawaii, Inc. Locations Inc., First Hawaiian Bank, Research Department.
Business Sales—Hawaii State Department of Taxation, Cardinal Mailing Services, Ltd.
Public Utilities—Hawaiian Electric Company, Inc. Citizens Utilities Company, Molokai Electric Co., Ltd. Gasco, Inc. Hawaiian Telephone Company.
Honolulu Prices—U.S. Department of Labor, Bureau of Labor Statistics.

Overall business transactions reported healthy gains during the first two months of 1984. Gross business receipts grew by 13.0 percent over the year. This represented an increase of approximately $.5 billion, from $3.6 billion in 1983 to $4.1 billion in 1984. The retail, wholesale, and service sectors accounted for the majority of the growth with wholesaling expanding by $158 million, services improving by $142 million, and retailing up by $108 million.

Not only were people spending more, but they were also earning more. Total personal income for the state increased from $12.5 billion in the third quarter of 1983 to $12.7 billion in the fourth quarter of 1983. This represented a healthy 2.2 percent over-the-quarter gain. Comparing fourth quarters of 1982 and 1983, total personal income grew by 7.1 percent. Since Hawaii's inflation rate was held to 3.8 percent during 1983, this meant a real gain of 3.3 percent for workers in terms of income. 1983 was the first year since 1978 that the paychecks of Hawaii's workers significantly outpaced the inflation rate (see Figure 2). While personal income showed giant annual jumps in the 10 to 15 percent range during the 1979 to 1982 period, these gains were largely offset by simultaneous growth in the consumer price index.

FIGURE 2
TOTAL PERSONAL INCOME AND THE HONOLULU CONSUMER PRICE INDEX 1970-1983
(Percent Change from Previous Quarter)



A. Total Personal Income
B. Honolulu Consumer Price Index (All Urban Consumers)
Source: U.S. Bureau of Labor Statistics

Positive changes were also evident in labor force data. March's unemployment rate continued to edge downward from 5.6 percent in February to 5.4 percent in March. This was a dramatic improvement over March of 1983, which reported a 6.5 percent jobless rate. This favorable trend was seen in all counties.

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population and personal income in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
POPULATION					
DE FACTO—STATE	thous.	July 1, 1983	1,119	.....	2.9
TOTAL RESIDENT—STATE	thous.	July 1, 1983	1,023	.....	2.7
C&C of Honolulu	thous.	July 1, 1983	n.a.	.....	.....
Maui County	thous.	July 1, 1983	n.a.	.....	.....
Hawaii County	thous.	July 1, 1983	n.a.	.....	.....
Kauai County	thous.	July 1, 1983	n.a.	.....	.....
CIVILIAN RESIDENT—STATE	thous.	July 1, 1983	964	.....	2.4
MILITARY PERSONNEL—STATE	number	July 1, 1983	59,021	.....	−3.4
Ashore	number	July 1, 1983	53,755	.....	−0.8
Afloat	number	July 1, 1983	5,266	.....	−23.9
CIVILIAN DEPENDENTS OF MILITARY	number	July 1, 1983	66,252	.....	−0.7
FOREIGN IMMIGRATION*	number	12 mo. total for period ending 4/84	5,385	.....	−7.8
PERSONAL INCOME					
TOTAL PERSONAL INCOME**	mil. $	4th Qtr., 1983	12,651	2.2	7.1
Employment income	mil. $	4th Qtr., 1983	9,312	2.0	5.4
Manufacturing	mil. $	4th Qtr., 1983	455	0.4	3.4
Construction & Mining	mil. $	4th Qtr., 1983	564	0.9	15.3
Wholesale	mil. $	4th Qtr., 1983	395	1.0	4.5
Retail	mil. $	4th Qtr., 1983	1,054	1.9	4.9
Finance, Ins. & Real Estate	mil. $	4th Qtr., 1983	606	1.5	8.4
Trans., Comm. & Util.	mil. $	4th Qtr., 1983	754	0.1	−6.1
Services	mil. $	4th Qtr., 1983	2,091	2.9	12.0
Farm & Other	mil. $	4th Qtr., 1983	349	4.2	13.7
Federal Civilian	mil. $	4th Qtr., 1983	846	−2.0	1.8
Federal Military	mil. $	4th Qtr., 1983	1,106	5.2	2.0
State & Local	mil. $	4th Qtr., 1983	1,093	3.0	1.5
Property Income (Dividends, Interest, Rent)	mil. $	4th Qtr., 1983	2,250	2.8	16.2
Transfer Payments (1,642) minus Personal Contributions for Social Ins. (579)	mil. $	4th Qtr., 1983	1,088	2.5	4.8
PER CAPITA PERSONAL INCOME					
STATE PER CAPITA	dollars	1982	11,602	.....	5.2
PER CAPITA BY COUNTY					
C&C of Honolulu	dollars	1981	11,553	.....	9.0
Maui County	dollars	1981	9,702	.....	7.2
Hawaii County	dollars	1981	8,728	.....	5.0
Kauai County	dollars	1981	9,132	.....	7.2

n.a. = not available.

**Total personal income and all components are seasonally adjusted at annual rates.

*These immigration statistics include only those entering Honolulu ports and do not include status changes.

•Includes wage and salary disbursements, proprietors' income, and other labor income.

•Income from mining not shown separately to avoid disclosure of confidential information.

Sources:

Population—Hawaii State Department of Planning and Economic Development. U.S. Bureau of the Census. U.S. Immigration and Naturalization Service.

Personal Income—U.S. Department of Commerce, Bureau of Economic Analysis.

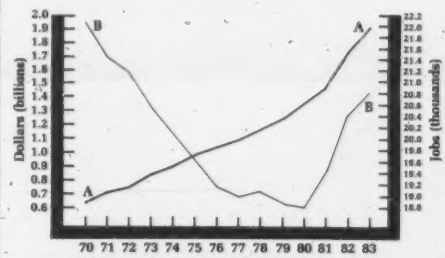
Overall job counts experienced a very modest 0.3 percent over-the-month gain during March, although the growth was relatively widespread. All major industries except construction, pineapple, and sugar increased. Cutbacks at the pineapple canneries were largely due to seasonal layoffs as the winter packing season came to a close. On the positive side, the University of Hawaii hired temporary faculty and staff. Retail stores added to their payrolls in preparation for spring sales, while the recent surge in tourism resulted in increased employment in visitor-related businesses. Higher hotel job counts were reported on all islands. Inter-island air carriers and tour services hired more workers to meet the needs of the increased number of tourists, pushing the transportation job count upward. Eating and drinking establishments also reported hires, increasing the retail-trade job count.

DEFENSE EXPENDITURES

Military spending is Hawaii's second largest industry; only tourism produces more direct income to the state. In 1983, defense expenditures totalled $1.9 billion. This represented an impressive 11.9 percent gain over the $1.7 billion reported in the previous year.

Because of its size and recession-proof nature, the defense industry has been a stabilizing influence on Hawaii's economy. In spite of economic slowdowns, military spending has always shown substantial annual growth (see Figure 3), offsetting losses in industries more sensitive to business cycles. Furthermore, the industry has more

FIGURE 3
MILITARY EXPENDITURES AND JOBCOUNT STATE OF HAWAII 1970-1983



A. Defense Expenditures (left-hand scale)
B. Department of Defense Civilian Jobcount (right-hand scale)

Sources: (A) Reports from various branches of the Armed Forces
(B) Hawaii State Department of Labor and Industrial Relations

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HAWAIIAN BANK
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employment and unemployment in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
EMPLOYMENT IN STATE AND COUNTIES (number of persons)					
STATE					
Civilian Labor Force	thous.	March	474.2p	0.1	−0.1
Employment	thous.	March	448.6p	0.3	1.1
Unemployment	thous.	March	25.6p	−3.4	−16.7
Unemployment Rate	percent	March	5.4p	−3.6	−16.9
C & C OF HONOLULU					
Civilian Labor Force	thous.	March	363.3p	0.3	0.3
Employment	thous.	March	346.1p	0.4	1.4
Unemployment	thous.	March	17.2p	−2.0	−17.9
Unemployment Rate	percent	March	4.7p	−2.1	−19.0
MAUI COUNTY					
Civilian Labor Force	thous.	March	43.0p	−0.1	−1.9
Employment	thous.	March	39.9p	0.1	−0.7
Unemployment	thous.	March	3.0p	−4.7	−15.3
Unemployment Rate	percent	March	7.1p	−4.0	−13.4
HAWAII COUNTY					
Civilian Labor Force	thous.	March	46.2p	−0.3	−0.8
Employment	thous.	March	42.3p	0.2	1.0
Unemployment	thous.	March	3.8p	−7.2	−16.3
Unemployment Rate	percent	March	8.3p	−6.7	−16.2
KAUAI COUNTY					
Civilian Labor Force	thous.	March	21.6p	−0.9	−1.6
Employment	thous.	March	20.2p	−0.2	−1.2
Unemployment	thous.	March	1.5p	−6.3	−6.3
Unemployment Rate	percent	March	6.8p	−8.1	−5.6
JOB COUNT BY INDUSTRY					
TOTAL JOBS—STATE	thous.	March	446.7p	0.3	0.0
SUGAR (incl. mfg.)	thous.	March	8.0p	−1.8	−1.8
PINEAPPLE (incl. mfg.)	thous.	March	3.1p	−12.7	−20.5
DIVERSIFIED MANUFACTURING (excluding sugar and pineapple)	thous.	March	16.0p	0.0	0.0
Durable Goods	thous.	March	3.4p	−1.4	−8.0
Non-Durable Goods	thous.	March	12.6p	0.4	2.4
Apparel and Textiles	thous.	March	2.9p	0.0	1.8
DIVERSIFIED AGRICULTURE (excluding sugar and pineapple)					
Ag. Services, Forestry and Fishing	thous.	March	7.6p	2.7	1.3
CONTRACT CONSTRUCTION	thous.	March	17.2p	−1.1	−5.0
TRANSPORTATION	thous.	March	21.2p	0.5	1.7
COMMUNICATION	thous.	March	7.4p	0.0	−2.0
UTILITIES	thous.	March	2.4p	0.0	−2.0
RETAIL TRADE	thous.	March	89.6p	0.3	2.2
WHOLESALE TRADE	thous.	March	18.2p	1.1	−0.5
FINANCE, INSURANCE AND REAL ESTATE	thous.	March	31.2p	0.5	−2.0
HOTEL SERVICES—STATE	thous.	March	27.8p	1.1	3.0
Honolulu County	thous.	March	15.6p	1.0	4.7
Maui County	thous.	March	6.3p	1.6	−2.3
Hawaii County	thous.	March	3.6p	1.4	−2.7
Kauai County	thous.	March	2.2p	0.0	12.5
OTHER SERVICES	thous.	March	78.0p	0.2	0.5
FEDERAL GOVERNMENT	thous.	March	31.6p	0.2	−1.7
Civilian Agencies	thous.	March	11.2p	0.5	−0.4
Defense Department	thous.	March	20.5p	−0.2	−2.4
STATE GOVERNMENT	thous.	March	48.5p	1.7	−0.1
COUNTY GOVERNMENT	thous.	March	12.6p	0.0	0.4
UNEMPLOYMENT INSURANCE CLAIMS AND PAYMENTS					
INSURED UNEMPLOYMENT (weekly average)	number	March	11,329	−11.5	−26.6
INTRASTATE INITIAL CLAIMS	number	March	5,497	−0.7	−11.8
INTERSTATE INITIAL CLAIMS	number	March	305	−5.6	−30.5
UNEMPLOYMENT INSURANCE BENEFITS	thous. $	March	6,236	7.7	−17.6

p = preliminary.

Sources:
Employment, Job Count, and Unemployment Insurance—Hawaii State Department of Labor and Industrial Relations.

than doubled in the past decade, expanding steadily from $840.9 million in 1973 to almost $2 billion in 1983.

Though annual military spending has risen steadily, the employment of civilians has generally trended downward. Military jobs decreased annually from 1970 to 1980, although employment picked up again between 1980 and 1983. The net result has been a mere 1.2 percent increase in civilian military employment over the decade, from 20,600 jobs in 1973 to 20,850 jobs in 1983. Nevertheless, the Department of Defense remains one of the state's largest employers, providing more jobs than the sugar and pineapple industries combined.

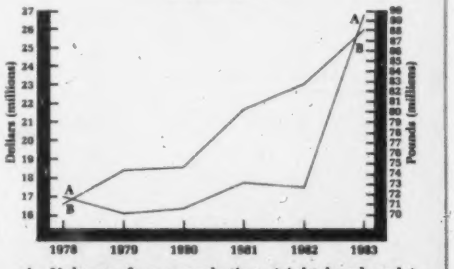
However, data for 1984 suggest that the job count is again dropping. The current downward trend in employment appears to reflect prevailing Navy policies concerning the home porting of naval vessels. Reassignment to other home ports, and early retirement of ships has drastically cut the workload at the Pearl Harbor Naval Shipyard. According to estimates by industry representatives, these changes eliminated five repair projects, which would have totalled approximately $185 million. The reduction in work has necessitated significant layoffs, which have not only hurt defense workers, but also the private companies which previously handled the workload overflow. The roughly $20 million private-sector ship-repair industry has already been reduced by 80 percent due to scheduling changes. Officials estimate that the recent cutbacks have resulted in the loss of about 1,000 public and private-sector jobs, and that another 700 government jobs at Pearl Harbor may be eliminated if more ships are not home ported here.

VEGETABLES AND MELONS

Total farm value of Hawaii's vegetable and melon crop in 1983 was estimated at a record $26.0 million surpassing the previous high of $23.0 million set last year by 13 percent (see Figure 4). According to the Hawaii Agricultural Reporting Service (HARS), improved weather conditions and increased acreage were the major factors contributing to the record high level of sales.

Crop acreage and volume of production

FIGURE 4
VEGETABLES AND MELONS
STATE OF HAWAII
1978-1983



A. Volume of crop marketings (right-hand scale)
B. Value of crop sales (left-hand scale)
Source: Hawaii Agricultural Reporting Service

public assistance in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
PUBLIC ASSISTANCE					
RECIPIENTS[1]					
Income Maintenance	no./persons	March	62,800	0.4	−2.9
Services	no./cases	1st Qtr.	6,927	1.4	2.9
Medical	no./patients	April	47,343	−13.2	−17.8
Food Stamps	no./persons	February	99,926	−0.4	−3.1
PAYMENTS					
Income Maintenance	thous. $	March	8,762	0.9	−4.3
Services	thous. $	1st Qtr.	3,784	4.2	6.3
Medical	thous. $	April	11,636	−28.6	−29.0
Food Stamps	thous. $	February	6,678	−0.6	−2.6

[1]Count of recipients is duplicated. A person may be counted in each category.

Sources:
Public Assistance—Hawaii State Department of Social Services and Housing.

banking and finance in hawaii

	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
FINANCE					
COMMERCIAL BANKS					
Total Deposits					
STATE	mil. $	March	6,121	2.2	9.5
Honolulu County	mil. $	March	5,041	2.3	9.1
Maui County	mil. $	March	398	3.0	14.0
Hawaii County	mil. $	March	459	1.4	12.8
Kauai County	mil. $	March	224	1.0	4.7
Debits to Demand Deposits					
STATE	mil. $	March	7,726	−13.3	−4.1
Honolulu County	mil. $	March	7,051	−15.3	−4.9
Maui County	mil. $	March	305	25.1	9.8
Hawaii County	mil. $	March	265	7.3	4.5
Kauai County	mil. $	March	104	11.0	−7.2
Loans Outstanding	mil. $	1st Qtr., 1984	3,866	n.a.	n.a.
Real estate	mil. $	1st Qtr., 1984	1,644	−0.5	2.5
Consumer	mil. $	1st Qtr., 1984	850	−0.4	7.3
Commercial & industrial	mil. $	1st Qtr., 1984	1,065	−7.6	0.3
Other	mil. $	1st Qtr., 1984	306	n.a.	n.a.
SAVINGS & LOAN ASSOCIATIONS					
Total Deposits	mil. $	February	3,760	1.0	8.7
Loans	mil. $	February	30	−8.9	15.6
Residential	mil. $	February	16	21.4	−1.1
Other	mil. $	February	14	−28.9	42.7
STATE TAX COLLECTIONS[2]					
TAX COLLECTIONS—STATE	thous. $	March	326,231	.....	9.4
Honolulu County	thous. $	March	284,899	.....	9.9
Maui County	thous. $	March	17,877	.....	7.8
Hawaii County	thous. $	March	17,032	.....	12.2
Kauai County	thous. $	March	6,423	.....	−7.9

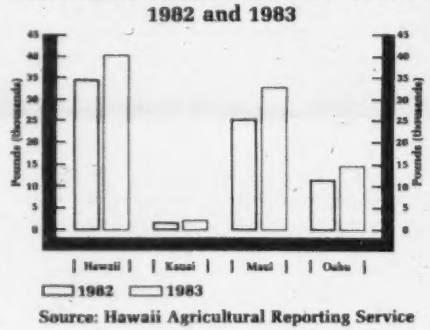
na = not available due to changes in reporting forms.
[1]Includes data for both Hawaii and Guam.
[2]Excludes property taxes which were formerly collected by the State but are now collected by the Counties.

Sources:
Finance—Hawaii State Department of Commerce and Consumer Affairs. Federal Deposit Insurance Corporation reports. Federal Home Loan Bank of Seattle.
State Tax Collections—Hawaii State Department of Taxation.

also reached record levels. In 1983, the number of acres utilized for vegetable and melon farming increased by an impressive 27 percent from 4,100 to 5,100 acres. The total volume of vegetable and melon production also rose by 23 percent or 17 million pounds from 72.7 million in 1982 to a record 89.5 million pounds in 1983 (see Figure 4).

Several crops made notable gains in value, volume of production, and acreage. They were: burdock, sweet corn, dry onions, green peppers, Italian squash, watercress, and watermelons. Some major crops, however, suffered declines in farm value as a result of the increased supply. Chinese cabbage production reached a record high 8.8 million pounds, but the farm price fell by 25.5 percent from 14.5 cents per pound to 10.8 cents per pound between 1982 and 1983. As a result, farm value dropped 17 percent from $1.1 million to $.9 million. Ginger root was another crop that experienced a decline in value during 1983. A record harvest of 5.1 million pounds caused the farm price to drop to its lowest level in 11 years. Value of the ginger crop fell 19.4 percent from $3.35 million in 1982 to $2.81 million in 1983. On the other hand, improved production of vegetables and melons was seen in all counties between 1982 and 1983: Hawaii's production grew by 16.4 percent; Kauai's rose by 25.2 percent; Maui County's increased by 30.1 percent; and Oahu's gained by 26.9 percent (see Figure 5). Contrary to most other industries in the state, crop production was centered on the Neighbor Islands. The Big Island, with 40.2 million pounds of vegetables and melons, accounted for 45 percent of the state's total crop. Maui County ranked second with 37 percent. Oahu was third with 16 percent, and Kauai comprised 2 percent.

FIGURE 5
VEGETABLES AND MELONS
VOLUME OF PRODUCTION BY COUNTY
1982 and 1983



Source: Hawaii Agricultural Reporting Service

The data indicate that the state is making some progress in diversifying its agricultural base. This trend should continue as the state prepares to build three agricultural parks on Oahu: 126 acres in Waimanalo, 1,272 acres in Waianae, and 550 acres in Kahuku. By paying for the infrastructure improvements and charging low lease rents, the state will assist small independent farmers in offsetting high land costs, while at the same time countering the urbanization of rural land, and encouraging agricultural diversification.

ECONOMIC INDICATORS

A Bimonthly Report on Current Economic Conditions in Hawaii
by the Research Department, First Hawaiian Bank

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Streamlining Honolulu's Development Permit System

A major concern of the recent Governor's Committee on Doing Business in Hawaii was the effect of government regulations on development. State and county land-use management policies and regulations were seen as creating delays, unnecessarily increasing costs, and often effectively preventing well-conceived urban land development. Consumers must pay higher prices, government suffers from inefficient duplication of effort, and the construction industry must bear greater carrying costs and management expenses. Of the major recommendations put forth by the Committee, several directly concerned the permit process, including: (1) reevaluating state and county land-use management policies to eliminate duplication, and reduce the time required to process applications, and (2) streamlining the permit approval process to allow concurrent reviews, and public hearings with realistic deadlines for administrative and legislative action.

In response to these same concerns, a joint private-public committee, the Mayor's Committee on Streamlining the Development Permit System, was organized by the City and County of Honolulu to identify, analyze, and reach consensus on methods to streamline the existing development-approval process. The results of the Committee's deliberations were recently released in the *Report to the Mayor on Streamlining Honolulu's Building Permit and Subdivision Approval Process*. The objectives of the Committee's work were to: (1) identify issues and appropriate public-sector actions to streamline Honolulu's building-permit and subdivision-approval processes; (2) improve mutual understanding of the problems faced by the public and private sectors; and (3) ensure the timely implementation of recommendations.

The basic conclusion of the Committee was that a major overhaul of the system was unnecessary because the approval process is already fulfilling its basic objective of ensuring public health, safety, and welfare. However, a number of areas were identified where improvements to the approval process were warranted, and specific recommendations were put forward. Highlights of the major issues and recommendations follow.

In terms of building permits, the following areas were addressed: (1) processing delays due to lack of adequate staffing. Recommendations included hiring new staff and rotating employees according to work demands; (2) duplication of reviews between city agencies as well as between state and city agencies. Recommendations included consolidating review functions, eliminating others, improving public awareness of areas where reviews do not overlap, as well as allowing simultaneous rather than consecutive reviews to reduce processing time. Other recommendations included: (1) requiring a partial payment of the permit fee to avoid loss of staff review time for applicants without financial resources to obtain building permits; and (2) expediting review of projects in which at least 10 percent of the units are for low- and moderate-income families.

In terms of the subdivision approval process, one major area of concern was delays in the review process due to: inadequate staffing; sequential review processes; inadequate agency coordination; mixing of small and large projects; requirements for prior approvals; overlapping multi-agency reviews; time required for nonconforming structures; and overly stringent housing guidelines. Recommendations included: additional staffing; simultaneous review processes; more centralized approvals; more timely reviews; better inter-agency coordination; segregation of projects according to size; suspension of prior approval in certain cases; reducing the number of agency reviews; more flexible detail requirements; and revisions in affordable housing guidelines. Other issues included: (1) unnecessary use of staff time for incomplete submissions, and concern for design details. Recommendations included the use of plan spot checks, and better allocation of review functions; (2) lack of staff training for multiple functions. Recommendations include more effective personnel rotation; (3) inflexible water-service requirements. Recommendations included more flexible water-service area boundaries. Other recommendations included: (1) amending roadway frontage improvement requirements to relieve currently excessive regulatory discretion; (2) more up-to-date information on development-approval procedures; (3) better information concerning required infrastructural improvements; (4) reexamination of the bond-renewal process to reduce the costs of project insurance to small developers; (5) extending the required period of project start-up to assist developers unable to begin projects within the current one-year mandatory time frame; (6) revising design standards to reduce high-speed automobile travel on city streets, and (7) improving the means of assessing property owners for the costs of required street improvements.

The report concludes with the observation that, while continuing to ensure the maintenance of public health and safety, reductions in the costs of development can be achieved through implementation of its recommendations. Participation of both private and public sector representatives also proved to be a successful approach to identifying problems and solutions, as well as promoting greater mutual understanding. The report closes with the recommendation that the Committee continue to meet and review the land development-approval system, in particular, the current zoning and Development Plan approval process, in order to identify specific areas for improvement.

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ECONOMIC INDICATORS

Research Department, First Hawaiian Bank | July/August 1984

The Changing Structure of Hawaii's Labor Force

Unquestionably, the most important aspect of Hawaii's economic history since statehood has been the transformation of Hawaii's economy from one based on sugar and pineapple, to one based predominantly on tourism and consumer services. The result has altered not only what people do to make a living, but how the labor force itself is structured, and the overall level of social and economic well-being.

In 1958, just prior to Hawaii's statehood, the compositon of Hawaii's work force reflected the generally prevailing balance between industries. Agriculture, manufacturing, and construction jobs constituted 24 percent of the labor force, while utilities, trade, and services accounted for 41 percent, and government accounted for 23 percent of the labor force. By 1982, those proportions had shifted dramatically. Agriculture, manufacturing, and construction fell to 11 percent, government fell to 20 percent, and utilities, trade and services rose to 62 percent of the labor force. In short, by 1982, over 80 percent of the labor force was involved in some form of trade or service occupation as opposed to the traditional agricultural and skilled occupations.

This pattern was replicated in terms of the actual types of jobs that people held. In 1960, the occupational distribution reflected an even balance between administrative, skilled, and service occupations characteristic of the industrial balance prevailing then. Professional, managerial, and technical jobs accounted for 21 percent of all jobs. Farming, skilled craft and operator, and laborer jobs were the largest segment at 42 percent, while sales, clerical, and service occupations constituted 32 percent of all jobs. By 1980, the balance had shifted dramatically. Professional, managerial, and technical jobs remained virtually static at 23 percent. Farming and skilled occupations, however, fell dramatically to 27 percent, while sales, clerical, and service jobs rose to 50 percent of all jobs. Thus, since statehood, Hawaii has experienced a virtual restructuring of its labor force from one being predominantly craft and skill oriented to one being predominantly sales and service oriented. This partial "inversion" in the labor force has had profound implications for Hawaii's economy.

First of all, most of the expansion in the Hawaiian economy has been in "low wage" industries. For example, according to the State Department of Labor and Industrial Relations, 61 percent of the increase in total employment between 1960 and 1982 was in retail trade and services. In 1982, average earnings in retailing were 63 percent below the state all-industry average, while earnings in the service sector were 15 percent below average. Hotel workers were 40 percent below average. With the additional decline of "high-wage" industries such as construction, sugar, and manufacturing, the result was that average annual wages for employed workers, corrected for inflation, actually **declined** between 1970 and 1982 by 13 percent Hawaii's average wages are also low by national standards. In 1982, Hawaii ranked 32nd at $15,361, falling 9 percent below the national average of $16,732.

Furthermore, given the fact that Hawaii ranked **first** nationwide in budget expenditures for intermediate-income families in 1981, the high expenditure requirements and low per-capita wages have worked to force more people into the labor market. For example, according to the U.S. Bureau of Labor Statistics (BLS), Hawaii ranked 11th nationwide in terms of the overall proportion of the population in the labor force in 1982. Hawaii also has one of the highest rates of multi-wage earner families, 62 percent compared to 54 percent nationally. This is due to the high proportion of women in the labor force. They account for 49 percent of the labor force in Hawaii. Hawaii also ranked 4th nationwide in terms of the proportion of women (59 percent) in the labor force. Furthermore, 69 percent of female jobs were limited to sales, clerical, and service occupations.

Another more potentially serious implication stems from the highly seasonal nature of employment in Hawaii due to the predominance of hotel and tourist-related services, as well as retail trade and state and local government services. An analysis of seasonality trends in Hawaii's nonagricultural labor force reveals that between 1970 and 1980, Hawaii's labor force experienced seasonal fluctuations in employment that were 65 percent greater than the national norm. As a result, a significant amount of seasonal economic fluctuation is absorbed by lower-wage segments of the occupational ladder such as hotel and restaurant workers, sales people, clerks and other part-time and casual hires. This suggests the growing prevalence in Hawaii of what economists term a dual labor market in which workers become increasingly polarized into separate primary and secondary labor markets. Jobs in the primary market are characterized by high wages, good working conditions, employment stability, chances of advancement, due process in the administration of work rules and, often, labor union representation. Jobs in the secondary market, in contrast, tend to have lower wages and fringe benefits, poorer working conditions, high labor turnover, little chance of advancement, and often ill-defined work rules.

The situation in Hawaii appears to have resulted from the combined factors of Hawaii's high cost of living, which has tended to force more secondary wage earners into the labor market, and job openings, which have tended to be limited to lower-wage service-related secondary jobs. This is worsened by the high competition for jobs as indicated by Hawaii's low unemployment rate, which has tended to hold wages down even further.

Clearly, the threat to the lower-income segments of the labor market and society in general derives from the possibility that this kind of segmented labor market might become a predominant part of Hawaii's economy. The role of responsible public policy, therefore, lies in the direction of stimulating more "primary" jobs in the economy, while encouraging upward mobility from the secondary to the primary labor market. The high rate of secondary employment in the economy is also an important symptom of Hawaii's dependence on tourism as its dominant source of income. Thus, improvement in Hawaii's overall labor force structure will depend in large part on the success of current state efforts to diversify Hawaii's economic base by developing more high wage, stable, and growth-oriented employment. While the state's current commitment to these goals gives ground for hope, the continuing deterioration in the quality of Hawaii's labor force serves as a reminder of the consequences of inaction.

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u. s. economic indicators

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
GENERAL BUSINESS INDICATORS					
COMPOSITE INDEX OF LEADING INDICATORS*	1967 = 100	May	168.2p	−0.1	8.9
GROSS NATIONAL PRODUCT**					
In Current Dollars	bil. $	2nd Qtr.	3,624.6p	2.1	10.8
In 1972 Dollars	bil. $	2nd Qtr.	1,631.6p	1.4	7.0
PERSONAL INCOME**	bil. $	May	2,978.8p	0.6	9.5
RETAIL SALES*	mil. $	May	107,288p	0.2	10.3
BANKING AND CREDIT					
DEBITS TO DEMAND DEPOSITS**	bil. $	April	68,000.0	−2.6	20.5
BANK LOANS*	bil. $	May	1,213.6p	1.6	14.1
AVERAGE PRIME RATE CHARGED BY BANKS	percent	June	12.6	1.7	20.0
CONSUMER INSTALLMENT DEBT*	mil. $	April	412,073	1.6	15.6
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE**	bil. $	April	302.5p	0.2	22.3
CONSTRUCTION COST INDEXES					
Residences	1967 = 100	March	352.5	0.1'	6.1
Apts, Hotel, Office Bldgs	1967 = 100	March	356.8	0.1'	6.0
EMPLOYMENT					
CIVILIAN EMPLOYMENT*	thous.	May	105,288	0.8	5.5
UNEMPLOYMENT*	thous.	May	8,514	−3.7	−23.9
UNEMPLOYMENT RATE*	percent	May	7.5	−3.8	−25.7
PRICES					
CONSUMER PRICE INDEX (All Items)					
Urban Wage Earners and Clerical Workers (Revised)	1967 = 100	May	305.4	0.4	3.1
All Urban Consumers	1967 = 100	May	309.7	0.3	4.2
PRODUCER PRICE INDEXES					
Finished Goods*	1967 = 100	May	291.5	0.0	2.6
All Commodities	1967 = 100	April	311.4	0.1	3.5

p = preliminary.
'Compared to January, 1984.
*Seasonally adjusted.
**Seasonally adjusted at annual rates.

Sources:
General Business Indicators—U.S. Department of Commerce.
Banking and Credit—Board of Governors of the Federal Reserve System.
Construction—U.S. Department of Commerce, The American Appraisal Company.
Employment and Prices—U.S. Department of Labor, Bureau of Labor Statistics.

business activity in hawaii

TOURISM					
OVERNIGHT OR LONGER VISITORS	number	April	382,285	−13.5	19.9
	number	Jan.-April	1,601,325	.....	15.3
Westbound	number	April	294,595	−17.2	20.5
	number	Jan.-April	1,251,605	.....	14.8
Eastbound	number	April	87,690	1.5	18.0
	number	Jan.-April	349,720	.....	17.0
AVERAGE DAILY VISITOR CENSUS'	number	.....	n.a.	.....	.....
AVERAGE LENGTH OF STAY'	no. of days	.....	n.a.	.....	.....
MEETINGS ATTENDANCE	number	April	36,995	73.3	89.1
ORGANIZED GROUP TOURS	number	April	78,740	−14.2	20.1
NEIGHBOR ISLAND VISITORS'					
Maui	number	April	147,470	−18.6	26.1
	number	Jan.-April	631,780	.....	20.3
Hawaii	number	April	50,320	−34.4	4.5
	number	Jan.-April	265,255	.....	11.6
Kauai	number	April	55,060	−29.5	19.2
	number	Jan.-April	261,660	.....	34.7
VISITOR ACCOMMODATIONS					
STATE	number	February	62,448	3.7	6.3
Oahu	number	February	36,848	3.0	7.3
Waikiki	number	February	32,239	1.2	7.1
Maui (includes 12 on Lanai)	number	February	12,511	4.6	3.2
Molokai	number	February	627	0.2	−0.2
Hawaii	number	February	7,149	−1.3	−4.3
Kauai	number	February	5,313	15.3	26.7
HOTEL OCCUPANCY					
STATE	percent	May	72.91	−4.0	14.4

n.a. = not available.
'Estimated Westbound.

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CURRENT BUSINESS TRENDS

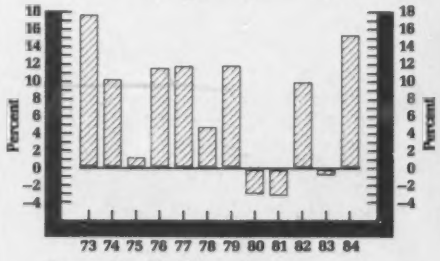
This month's data substantiate the continuity and strength of Hawaii's economic recovery. The visitor industry reported exceptional gains, and most other major sectors of the state's economy followed suit. Tourism is, by far, Hawaii's largest industry, and as it increases, the effects ripple through the economy resulting in improvements in many other sectors. Business receipts, tax collections, and employment all reported healthy gains this year.

Tourism's performance this year has exceeded all expectations. So far each month has set new records for the number of visitor arrivals, and April continued this trend.

According to the Hawaii Visitors Bureau's (HVB) latest report, a total of 382,285 people came to Hawaii during the month of April. That was a dramatic 19.9 percent improvement over the 318,900 tourists reported in April of last year.

April's figures bring cumulative arrivals for this year to 1,601,325. That represents an impressive 15.3 percent gain over the same period in 1983. The industry has not seen such growth since 1973 (See Figure 1). Because the January-April period serves as a relatively good indicator for the year, the trend seen in the first four months should be expected to continue through the year.

FIGURE 1
CUMULATIVE VISITOR ARRIVALS PERCENT CHANGE FROM PREVIOUS YEAR JANUARY-APRIL 1973-1983



Source: Hawaii Visitors Bureau

This year's exceptional growth was evident in all major markets. For the January-April 1984 period, eastbound travelers (from Asia, primarily Japan and Oceania) totalled 349,720 compared to 298,845 in 1983, an

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
HOTEL OCCUPANCY (continued)					
Oahu	percent	May	76.25	−4.7	11.1
Maui	percent	May	82.07	−7.6	17.7
Hawaii	percent	May	50.75	−2.6	32.9
Kauai	percent	May	62.91	3.1	14.4
DEFENSE EXPENDITURES					
APPROPRIATED FUNDS TOTAL	mil. $	1st Qtr.	476.5*	0.5	−1.2
Military Payroll	mil. $	1st Qtr.	199.9*	−1.1	8.3
Civilian Payroll	mil. $	1st Qtr.	136.3*	−11.3	3.8
Local Purchases	mil. $	1st Qtr.	140.2*	18.7	−15.7
SUGAR					
SUGAR PRODUCTION	thous. tons	Jan.-May	364	.....	10.1
N. Y. RAW SUGAR PRICE	$/ton	May	440.02	−0.1	−2.6
PINEAPPLE SHIPMENTS					
CANNED[2]	mil. $	Jan.-April	69	.....	53.6
FRESH	thous. lbs.	Jan.-June	132,908	.....	10.2
DIVERSIFIED AGRICULTURE					
CROPS					
Flowers & Nursery Products (wholesale)	thous. $	1982	30,559	.....	3.7
Anthurium Outshipments	th. dozens	Jan.-May	690.3	.....	16.2
Potted Foliage[3]	thous. $	1982	8,820	.....	21.4
Other[4]	thous. $	1982	16,106	.....	−4.8
Fruits & Nuts	thous. $	1982	41,982	.....	0.0
Papaya Sales	th. lbs.	Jan.-May	27,660	26.5	74.2
Average Farm Price	cents/lb.	May	14.0	−12.5	−64.0
Macadamia Nut Sales (in shell)	th. lbs.	1983	38,160	.....	3.9
Average Farm Price	cents/lb.	1983	68.0	.....	−8.0
Other[5]	thous. $	1982	3,362	.....	8.4
Vegetable and Melon Production[6]	th. lbs.	Jan.-May	29,646	.....	2.4
Other Crop Sales[7]	thous. $	1982	8,453	.....	−23.0
LIVESTOCK					
Beef Production (dressed wt.)	th. lbs.	Jan.-May	12,822	.....	−4.3
Average Farm Price (feedlot beef)	cents/lb.	May	97.0	−3.0	−9.8
Hog Production (dressed wt.)	th. lbs.	Jan.-May	2,490	.....	1.0
Average Farm Price	cents/lb.	May	104.0	0.5	1.5
Milk Production	mil. lbs.	Jan.-May	64.9	.....	3.5
Average Price Sold to Plants	$/100 lbs.	May	19.70	−0.5	−2.0
Egg Production	mil.	Jan.-May	87.4	.....	7.1
Average Farm Price	cents/doz.	May	92.5	−0.5	8.2
Other Livestock Sales[8]	thous. $	1982	5,814	.....	−1.3
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE	mil. $	Jan.-April	463.0	.....	1.7
PRIVATE PERMITS AUTHORIZED					
RESIDENTIAL					
STATE	thous. $	Jan.-May	159,342	.....	15.5
C&C of Honolulu	thous. $	Jan.-May	102,071	.....	66.4
Maui County	thous. $	Jan.-May	17,922	.....	8.8
Hawaii County	thous. $	Jan.-May	21,111	.....	−7.7
Kauai County	thous. $	Jan.-May	18,239	.....	−51.1
SINGLE FAMILY UNITS					
STATE	number	Jan.-May	1,746	.....	26.2
C&C of Honolulu	number	Jan.-May	993	.....	40.7
Maui County	number	Jan.-May	254	.....	15.5
Hawaii County	number	Jan.-May	373	.....	4.8
Kauai County	number	Jan.-May	126	.....	23.5
MULTIPLE FAMILY UNITS					
STATE	number	Jan.-May	489	.....	511.3
C&C of Honolulu	number	Jan.-May	438	.....	1,890.9
Maui County	number	Jan.-May	0	.....	−100.0
Hawaii County	number	Jan.-May	16	.....	−54.3
Kauai County	number	Jan.-May	35	.....	169.2
NONRESIDENTIAL					
STATE	thous. $	Jan.-May	83,335	.....	−0.2
C&C of Honolulu	thous. $	Jan.-May	57,456	.....	11.7
Maui County	thous. $	Jan.-May	7,675	.....	19.4
Hawaii County	thous. $	Jan.-May	14,031	.....	−10.2
Kauai County	thous. $	Jan.-May	4,173	.....	−58.1
PUBLIC CONTRACTS AWARDED					
TOTAL GOVERNMENT PROJECTS	thous. $	Jan.-June	168,729	.....	41.5

*Coast Guard figures not included.
[2]Gross taxable income valued at time of shipment.
[3]Potted foliage grown for indoor or patio use.
[4]Includes cut flowers, cut orchids, lei flowers, cut foliage, other potted plants, unfinished flower and foliage stock, and other nursery products.
[5]Includes avocadoes, bananas, guavas, oranges, passion fruit, and tangerines.
[6]Includes snap beans, cabbage, celery, sweet corn, cucumbers, lettuce, onions, green peppers, tomatoes, and watermelons.
[7]Includes coffee, taro, feed and forage crops, and forest products.
[8]Includes broilers and chickens, turkeys, sheep, wool, horses, honey, and beeswax.

over-the-year jump of 17.0 percent. Westbound travelers (those coming from the Mainland, Canada, and Europe) reported a 14.8 percent gain from 1,090,000 in the January-April 1983 period to 1,251,605 for the same time span in 1984. The increases were a result of growth in the number of travelers from Canada, Japan, and from the East Coast and Midwest on the Mainland.

The record-breaking numbers appear to be the product of several factors. According to HVB, the improved national economy sparked the increased travel from the Midwest. Travelers from the East Coast were encouraged to visit Hawaii by low air fares which made Hawaii price-competitive with the Caribbean and Mexico. Aggressive promotional campaigns by the various sectors of the industry, primarily HVB, the Neighbor Islands, hotels, and airlines also contributed to the improved visitor counts.

However, there still remained some concern over the European market which has not developed as expected. The strength of the U.S. dollar has made currency exchange rates less favorable for Europeans, and therefore trips to Hawaii relatively more expensive. U.S. visitors have also been attracted to Europe because of the lower value of European currencies relative to the dollar.

Visitor traffic during April increased on all islands, although the Big Island lagged behind the others. In Maui County, the tourist count climbed 26.1 percent over-the-year, from 116,915 in April 1983 to 147,470 in April 1984. On Kauai, the number of visitors expanded by 19.2 percent from 46,195 to 55,060 during the Aprils of 1983 and 1984, respectively. On the Big Island, the count grew by a modest 4.5 percent from 48,180 in April 1983 to 50,320 in April 1984.

Hotel occupancy figures indicated that the tourism boom continued well into May. All the counties showed strong over-the-year gains in occupancy rates. Overall, the state average grew by 14.4 percent between May of 1983 and 1984. All counties showed double-digit increases: the Big Island reported a 32.9 percent improvement; Maui County 17.7 percent; Kauai County 14.4 percent; and Oahu 11.1 percent. This was even more impressive considering the addition of approximately 3,700 hotel rooms between the Februarys of 1983 and 1984.

Largely as a result of this expansion, overall business activity reported substantial growth. For the January to April period, state gross business receipts grew by 14.0 percent from $7.3 billion to $8.3 billion in 1984. The growth was relatively evenly distributed across the major sectors. Wholesaling activity increased by 16.8 percent, closely followed by the service sector which grew by 16.7 percent. Manufacturing showed a 13.0 percent gain. Retailing, which comprised over a third of all business activity, reported a 11.5 percent increase. Diversified agriculture receipts expanded by 10.2 percent.

Tax collections in the January-May 1984 period showed a 9.6 percent growth over the same period in 1983.

Increased business activity also translated into positive trends in most labor statistics. May's employment showed an over-the-

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
PUBLIC CONTRACTS AWARDED (continued)					
BY LEVEL OF GOVERNMENT					
FEDERAL	thous. $	Jan.-June	41,870	.....	199.7
STATE	thous. $	Jan.-June	96,486	.....	51.6
COUNTY	thous. $	Jan.-June	30,372	.....	−27.0
BY LOCATION OF PROJECT					
C&C of Honolulu	thous. $	Jan.-June	117,912	.....	21.3
Maui County	thous. $	Jan.-June	11,652	.....	62.5
Hawaii County	thous. $	Jan.-June	11,180	.....	−0.3
Kauai County	thous. $	Jan.-June	27,985	.....	671.8
HONOLULU CONSTRUCTION COST INDEXES					
SINGLE FAMILY	1967 = 100	June	347.4	−0.2	3.2
HIGH-RISE	1967 = 100	June	367.1	0.1	4.4
REAL ESTATE					
OAHU: New Sales					
Single Family	number	Jan.-May	688	.....	68.2
Condominium	number	Jan.-May	965	.....	−26.5
Resales					
Single Family	number	Jan.-May	621	.....	7.3
Average Price	dollars	Jan.-May	191,535	.....	2.5
Condominium	number	Jan.-May	879	.....	10.3
Average Price	dollars	Jan.-May	100,397	.....	−3.4
MAUI: Resales					
Single Family	number	Jan.-May	86	.....	13.2
Average Price	dollars	Jan.-May	154,641	.....	−4.4
Condominium	number	Jan.-May	173	.....	0.6
Average Price	dollars	Jan.-May	141,321	.....	−4.8
HAWAII: Resales					
Single Family	number	Jan.-May	125	.....	−24.2
Average Price	dollars	Jan.-May	85,066	.....	−15.3
Condominium	number	Jan.-May	39	.....	−26.4
Average Price	dollars	Jan.-May	93,244	.....	−20.0
KAUAI: Resales					
Single Family	number	Jan.-May	32	.....	113.3
Average Price	dollars	Jan.-May	142,492	.....	9.1
Condominium	number	Jan.-May	18	.....	100.0
Average Price	dollars	Jan.-May	134,050	.....	−16.3
BUSINESS SALES					
GROSS BUSINESS RECEIPTS	mil. $	Jan.-April	8,306	.....	14.0
DIVERSIFIED MANUFACTURING	mil. $	Jan.-April	187	.....	13.0
DIVERSIFIED AGRICULTURE	mil. $	Jan.-April	85	.....	10.2
RETAILING	mil. $	Jan.-April	2,935	.....	11.5
WHOLESALING	mil. $	Jan.-April	2,130	.....	16.8
SERVICES	mil. $	Jan.-April	1,935	.....	16.7
OAHU NEW CAR SALES	number	May	4,002	39.3	111.7
PUBLIC UTILITIES					
ELECTRICITY GENERATED	mil. kwh.	May	591	5.0	4.3
GAS SALES	th. therms.	May	4,085	−0.8	1.5
TELEPHONE LINES IN SERVICE	thous.	May	466	0.1	3.6
HONOLULU PRICES					
HONOLULU CONSUMER PRICE INDEX					
Urban Wage Earners and Clerical Workers (Revised), All Items	1967 = 100	April	289.0	1.7*	4.4
All Urban Consumers, All Items	1967 = 100	April	283.2	0.9*	3.8

*Compared to February, 1984.

Sources:

Tourism—Hawaii Visitors Bureau, Pannell, Kerr, Forster.

Defense—Reports from various branches of the armed forces.

Sugar—Hawaiian Sugar Planters' Association.

Pineapple—Hawaii State Department of Taxation, Hawaii State Department of Agriculture.

Diversified Agriculture—Hawaii State Department of Agriculture.

Construction—Hawaii State Department of Taxation, Honolulu County Building Department, Hawaii, Kauai, and Maui County departments of public works.

Real Estate—Monitor Hawaii, Inc. Locations Inc., First Hawaiian Bank, Research Department.

Business Sales—Hawaii State Department of Taxation, Cardinal Mailing Services, Ltd.

Public Utilities—Hawaiian Electric Company, Inc. Citizens Utilities Company, Molokai Electric Co., Ltd. Gasco, Inc. Hawaiian Telephone Company.

Honolulu Prices—U.S. Department of Labor, Bureau of Labor Statistics.

year growth rate of 1.9 percent. Unemployment, on the other hand, dropped by 13.1 percent between May of 1983 and 1984. Combined, these caused the unemployment rate to decrease by almost a full percentage point over the year. Statewide, the ratio fell from 6.4 percent to 5.5 percent.

The number of jobs in the State grew minimally over-the-month. The job count increased by 0.2 percent between April and May as 780 new jobs were added. However, the bulk of these were seasonal agricultural jobs. With the onset of the harvest season, pineapple, and to a lesser degree sugar and diversified agriculture companies added hundreds of temporary workers to their payrolls. On the negative side, state government reported its usual drop as the Legislature adjourned. Of a more permanent nature, hotel jobs increased with the opening of the 508-room Maile Court in Waikiki.

HAWAII'S DAIRY INDUSTRY

In recent years, the Hawaiian dairy industry has increasingly become the focus of frequent and often unfavorable public attention. The reasons have included disruptive union activity, the damaging effects of Hurricane Iwa, and the contamination of local milk supplies by the pesticide heptachlor. The latest controversy concerns the importation of mainland milk. After years of debate and legal wrangling, the State Board of Agriculture granted Safeway Stores a license this past May to import mainland milk, currently priced from 10 to 20 cents below local products. Questions have since been raised regarding the local dairy industry's ability to withstand this new source of competition.

At stake is an industry which in 1983 employed about 450 people in dairies and processing firms throughout the State, and prior to the depressing effect of the heptachlor problem on local milk consumption, generated over $30 million a year in sales. If one includes the indirect impacts of these activities, according to the State Department of Planning and Economic Development's (DPED) estimates, a total of 1,900 jobs and $33 million in household income in Hawaii is being supported by the dairy industry. The future of these jobs and income will hinge on the ability of the industry to adapt to the pressures of competition in a rapidly expanding dairy market.

Milk holds a place of distinction among the array of agricultural products now produced and consumed in Hawaii. Unlike most other commodities, practically all of the local demand for dairy products has long been supplied entirely by local farms. However, although the industry has been capable

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population and personal income in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
POPULATION					
DE FACTO—STATE	thous.	July 1, 1983	1,119	.....	2.9
TOTAL RESIDENT—STATE	thous.	July 1, 1983	1,023	.....	2.7
C&C of Honolulu	thous.	July 1, 1983	797	.....	2.6
Maui County	thous.	July 1, 1983	83	.....	3.4
Hawaii County	thous	July 1, 1983	101	.....	3.3
Kauai County	thous.	July 1, 1983	42	.....	2.0
CIVILIAN RESIDENT—STATE	thous.	July 1, 1983	964	.....	2.4
MILITARY PERSONNEL—STATE	number	July 1, 1983	59,021	.....	−3.4
Ashore	number	July 1, 1983	53,755	.....	−0.8
Afloat	number	July 1, 1983	5,266	.....	−23.9
CIVILIAN DEPENDENTS OF MILITARY	number	July 1, 1983	66,252	.....	−0.7
FOREIGN IMMIGRATION[1]	number	12 mo. total for period ending 6/84	5,442	.....	0.0
PERSONAL INCOME					
TOTAL PERSONAL INCOME[2]	mil. $	4th Qtr., 1983	12,651	2.2	7.1
Employment Income[3]	mil. $	4th Qtr., 1983	9,312	2.0	5.4
Manufacturing	mil. $	4th Qtr., 1983	455	0.4	3.4
Construction & Mining[4]	mil. $	4th Qtr., 1983	564	0.9	15.3
Wholesale	mil. $	4th Qtr., 1983	395	1.0	4.5
Retail	mil. $	4th Qtr., 1983	1,054	1.9	4.9
Finance, Ins. & Real Estate	mil. $	4th Qtr., 1983	606	1.5	8.4
Trans., Comm., & Util.	mil. $	4th Qtr., 1983	754	0.1	−6.1
Services	mil. $	4th Qtr., 1983	2,091	2.9	12.0
Farm & Other	mil. $	4th Qtr., 1983	349	4.2	13.7
Federal Civilian	mil. $	4th Qtr., 1983	846	−2.0	1.8
Federal Military	mil. $	4th Qtr., 1983	1,106	5.2	2.0
State & Local	mil. $	4th Qtr., 1983	1,093	3.0	1.5
Property Income (Dividends, Interest, Rent)	mil. $	4th Qtr., 1983	2,250	2.8	16.2
Transfer Payments (1,642) minus Personal Contributions For Social Ins. (579)	mil. $	4th Qtr., 1983	1,088	2.5	4.8
PER CAPITA PERSONAL INCOME					
STATE PER CAPITA	dollars	1982	11,602	.....	5.2
PER CAPITA BY COUNTY					
C&C of Honolulu	dollars	1981	11,553	.....	9.0
Maui County	dollars	1981	9,702	.....	7.2
Hawaii County	dollars	1981	8,728	.....	5.0
Kauai County	dollars	1981	9,132	.....	7.2

[2]Total personal income and all components are seasonally adjusted at annual rates.

[1]These immigration statistics include only those entering Honolulu ports and do not include status changes.

[3]Includes wage and salary disbursements, proprietors' income, and other labor income.

[4]Income from mining not shown separately to avoid disclosure of confidential information.

Sources:

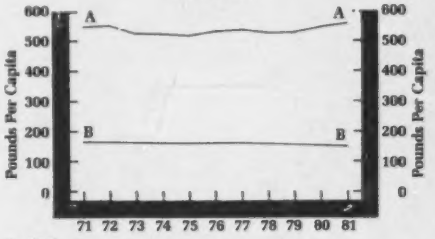
Population—Hawaii State Department of Planning and Economic Development, U.S. Bureau of the Census, U.S. Immigration and Naturalization Service.

Personal Income—U.S. Department of Commerce, Bureau of Economic Analysis.

of meeting changes in demand over time, growth in the industry has been minimal.

In 1971, Hawaii's per capita utilization of milk products stood at 164.3 pounds a year, less than a third of the national per capita average of 548.7 pounds per year. By 1981, Hawaii's per capita utilization fell by 8 percent to 150.8 pounds per year, while the U. S. average grew by 2 percent to 558.4 pounds per year (see Figure 2).

FIGURE 2
PER CAPITA UTILIZATION OF MILK PRODUCTS*
HAWAII AND U.S.
1971-1981



A. U.S.
B. Hawaii

Source: U.S. Department of Agriculture

***Note: Includes all milk sold as fluid milk as well as processed as milk products.**

The data on total milk production tell a similar story. Over the ten-year period between 1971 and 1981, local milk production grew by 13 percent, from 133 million pounds in 1971 to 150 million pounds in 1981. However, this rate of increase was far short of the expansion in the state's population during that period of over 20 percent.

Thus, gains in the consumption of milk products appear to have been achieved by an increase in the number of consumers who individually, on average, are consuming less milk.

Because growth in the industry has been insufficient to justify significant expansion in new capital investment, the industry has had to accomodate marginal increases in demand by raising productivity from existing inputs such as land, labor, dairy cattle, and cattle feed. In this regard, several factors come into play.

First, as is true for most diversified agricultural activities, appropriate and reasonably priced land for dairy operations is limited. Many dairies now operate on leasehold land that rises in cost with each lease renegotiation. If more land for livestock and forage crop production were available, industry operations could become more cost effective. That, however, is not the case.

HAWAIIAN BANK
D.I.C.

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employment and unemployment in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
EMPLOYMENT IN STATE AND COUNTIES (number of persons)					
STATE					
Civilian Labor Force	thous.	May	477.7p	0.5	0.9
Employment	thous.	May	451.3p	0.4	1.9
Unemployment	thous.	May	26.5p	3.5	−13.1
Unemployment Rate	percent	May	5.5p	1.9	−14.1
C & C OF HONOLULU					
Civilian Labor Force	thous.	May	366.1p	0.5	1.4
Employment	thous.	May	348.0p	0.3	2.3
Unemployment	thous.	May	18.1p	4.6	−13.4
Unemployment Rate	percent	May	5.0p	6.4	−13.8
MAUI COUNTY					
Civilian Labor Force	thous.	May	43.1p	−0.5	−0.9
Employment	thous.	May	40.4p	0.0	0.7
Unemployment	thous.	May	2.7p	−6.9	−18.2
Unemployment Rate	percent	May	6.3p	−4.5	−18.2
HAWAII COUNTY					
Civilian Labor Force	thous.	May	46.6p	0.9	−0.2
Employment	thous.	May	42.6p	0.7	0.9
Unemployment	thous.	May	4.0p	2.6	−11.1
Unemployment Rate	percent	May	8.6p	0.0	−11.3
KAUAI COUNTY					
Civilian Labor Force	thous.	May	21.9p	0.9	−0.9
Employment	thous.	May	20.3p	0.5	−1.0
Unemployment	thous.	May	1.5p	0.0	−11.8
Unemployment Rate	percent	May	7.1p	0.0	−5.3
JOB COUNT BY INDUSTRY					
TOTAL JOBS—STATE	thous.	May	446.6p	0.2	0.6
SUGAR (mill and field)	thous.	May	8.1p	1.3	−3.0
PINEAPPLE (cannery and field)	thous.	May	4.1p	10.8	−13.7
DIVERSIFIED MANUFACTURING (excluding sugar and pineapple)	thous.	May	15.7p	−1.3	0.3
Durable Goods	thous.	May	3.5p	0.0	−2.7
Non-Durable Goods	thous.	May	12.1p	−2.0	1.3
Apparel and Textiles	thous.	May	2.9p	0.0	3.6
DIVERSIFIED AGRICULTURE (excluding sugar and pineapple, but including agricultural self-employed)	thous.	May	7.8p	4.0	0.0
CONTRACT CONSTRUCTION	thous.	May	16.8p	−0.6	−6.1
TRANSPORTATION	thous.	May	21.1p	−0.5	1.0
COMMUNICATION	thous.	May	7.4p	0.0	−2.0
UTILITIES	thous.	May	2.4p	0.0	0.0
RETAIL TRADE	thous.	May	89.1p	−0.3	3.5
WHOLESALE TRADE	thous.	May	18.3p	0.6	0.3
FINANCE, INSURANCE AND REAL ESTATE	thous.	May	30.8p	−0.2	−3.1
HOTEL SERVICES—STATE	thous.	May	27.9p	0.9	3.7
Honolulu County	thous.	May	15.7p	1.3	5.7
Maui County	thous.	May	6.3p	0.8	2.4
Hawaii County	thous.	May	3.5p	−1.4	−4.1
Kauai County	thous.	May	2.3p	2.2	4.4
OTHER SERVICES	thous.	May	77.9p	0.2	1.8
FEDERAL GOVERNMENT	thous.	May	31.9p	1.1	−1.1
Civilian Agencies	thous.	May	11.2p	0.9	0.0
Defense Department	thous.	May	20.7p	1.2	−1.7
STATE GOVERNMENT	thous.	May	48.1p	−0.4	0.2
COUNTY GOVERNMENT	thous.	May	12.6p	0.0	0.8
UNEMPLOYMENT INSURANCE CLAIMS AND PAYMENTS					
INSURED UNEMPLOYMENT (weekly average)	number	May	11,142	−11.1	−37.3
INTRASTATE INITIAL CLAIMS	number	May	5,961	5.8	0.7
INTERSTATE INITIAL CLAIMS	number	May	331	12.6	−10.3
UNEMPLOYMENT INSURANCE BENEFITS	thous. $	May	5,945	−6.3	−27.5

p = preliminary.

Sources:
Employment, Job Count, and Unemployment Insurance—Hawaii State Department of Labor and Industrial Relations.

Second, Hawaii's dairy industry has been subject to considerable union activity. This has affected wage and price levels, and may also affect the industry's ability to adjust to the new competition within the industry. The industry has also found it increasingly difficult to find qualified and interested persons to work on dairies.

Third, dairies in Hawaii must import expensive feed for dairy cows. Feed prices paid by local dairies are about 20 to 25 percent higher than on the mainland. Although green chop from pineapple plants are now used to supplement the diet of dairy cattle, this cannot fully substitute for the more nutritious, but expensive, dairy feed. In addition, the scarcity of suitable agricultural land in Hawaii makes the growing of local dairy feed prohibitively expensive.

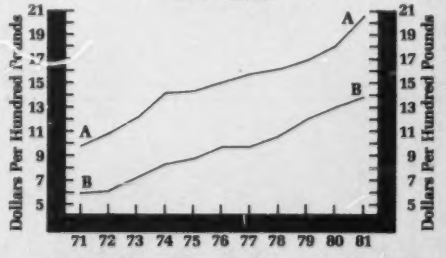
Finally, the balmy, tropical climate that makes Hawaii an attractive resort destination unfortunately also results in low reproduction rates among dairy cattle—about 20 percent lower than mainland cattle. Dairies must therefore import replacement animals. This jacks the cost of dairy operations up another notch.

Despite these hurdles, some productivity gains have been achieved. Over the last decade, the annual milk yield per cow rose 14 percent, from 10,391 pounds of milk per cow in 1971 to 11,811 pounds in 1981. However, the nation's dairy farms have done substantially better, improving their yields 26 percent, from 9,609 pounds of milk per cow in 1971 to 12,147 pounds in 1981.

Even with these gains in productivity, however, milk prices have continued to remain high relative to the mainland. In 1971, the price of milk sold directly from the dairies was $9.79 per 100 pounds, 67 percent higher than the U. S. average of $5.87 per 100 pounds. By 1981, Hawaii's prices had attained the dubious distinction of being the highest in the nation, topping even Alaska's prices at $20.50 per 100 pounds, 48.6 percent above the national average of $13.87.

Because of these higher prices, Hawaii's dairy revenues climbed by 130 percent between 1971 and 1981, from $13.2 million to $30.3 million. It is these higher prices, however, that have also made the local dairy industry vulnerable to less expensive mainland milk (see Figure 3).

FIGURE 3
MILK PRICES
HAWAII AND U.S.
1971-1981



A. Hawaii
B. U.S.
Source: U.S. Department of Agriculture

public assistance in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
PUBLIC ASSISTANCE					
RECIPIENTS[1]					
Income Maintenance	no./persons	April	62,417	−0.6	−3.0
Services	no./cases	1st Qtr.	6,927	1.4	2.9
Medical	no./patients	June	51,093	5.6	−12.0
Food Stamps	no./persons	April	99,846	−0.3	−3.1
PAYMENTS					
Income Maintenance	thous. $	April	8,651	−1.3	−3.8
Services	thous. $	1st Qtr.	3,784	4.2	6.3
Medical	thous. $	June	15,122	15.1	−14.5
Food Stamps	thous. $	April	6,612	−1.7	−2.8

[1]Count of recipients is duplicated. A person may be counted in each category.

Sources:
Public Assistance—Hawaii State Department of Social Services and Housing.

banking and finance in hawaii

FINANCE					
COMMERCIAL BANKS					
Total Deposits					
STATE	mil. $	May	6,332	1.1	15.1
Honolulu County	mil. $	May	5,230	1.0	15.3
Maui County	mil. $	May	414	4.4	20.8
Hawaii County	mil. $	May	461	−0.1	12.3
Kauai County	mil. $	May	225	0.6	5.0
Debits to Demand Deposits					
STATE	mil. $	May	7,910	6.0	9.5
Honolulu County	mil. $	May	7,243	6.3	8.9
Maui County	mil. $	May	293	6.4	21.1
Hawaii County	mil. $	May	265	0.3	14.7
Kauai County	mil. $	May	110	−0.2	7.0
Loans Outstanding	mil. $	1st Qtr., 1984	3,866	n.a.	n.a.
Real estate	mil. $	1st Qtr., 1984	1,644	−0.5	2.5
Consumer	mil. $	1st Qtr., 1984	850	−0.4	7.3
Commercial & Industrial	mil. $	1st Qtr., 1984	1,065	−7.5	0.3
Other	mil. $	1st Qtr., 1984	306	n.a.	n.a.
SAVINGS & LOAN ASSOCIATIONS[1]					
Total Deposits	mil. $	April	3,803	−0.4	8.1
Loans	mil. $	April	56	45.0	−14.7
Residential	mil. $	April	29	59.7	−41.0
Other	mil. $	April	27	32.1	62.3
STATE TAX COLLECTIONS[2]					
TAX COLLECTIONS—STATE	thous. $	Jan.-May	567,039	.....	9.6
Honolulu County	thous. $	Jan.-May	496,760	.....	10.0
Maui County	thous. $	Jan.-May	30,216	.....	3.6
Hawaii County	thous. $	Jan.-May	29,253	.....	15.6
Kauai County	thous. $	Jan.-May	10,809	.....	−2.2

na = not available due to changes in reporting forms.
[1]Includes data for both Hawaii and Guam.
[2]Excludes property taxes which were formerly collected by the State but are now collected by the Counties.

Sources:
Finance—Hawaii State Department of Commerce and Consumer Affairs. Federal Deposit Insurance Corporation reports. Federal Home Loan Bank of Seattle.
State Tax Collections—Hawaii State Department of Taxation.

This seemingly rosy portrait of the local dairy industry faded in recent years. In 1982, heptachlor contamination was discovered in island milk supplies due to improperly treated pineapple green chop fed to dairy cattle. Milk sales tumbled, 28 percent in one year from $30.3 million to $21.9 million. Although the data for 1983 are not yet available, indications are that the industry continues to experience depressed sales as the residue of the heptachlor problem continues to taint consumers' taste for milk.

In the wake of the recent decision to permit the importation of mainland milk, the future of the Hawaii dairy industry has become a matter of considerable speculation. To remain competitive in today's new market, it becomes even more important that progress be made in addressing the industry's most serious problems. In the 1981 Dairy Action Plan of the Governor's Agriculture Coordinating Committee, several specific issues requiring attention were identified, including: (1) obtaining high-quality, reasonably-priced dairy feed; (2) raising reproduction rates in local dairy cattle; and (3) improving the processing, distribution, and marketing system to ensure accurate pricing and to encourage higher consumption. If these issues are successfully resolved, Hawaii's high dairy production costs and prices may be reduced, and the trend of falling per-capita consumption of milk may be reversed.

In a June, 1983 report, the DPED explored the potential economic consequences of mainland milk importation. They estimated that the overall savings to consumers from buying lower-priced mainland milk would be substantially less than the economic loss to the State in terms of jobs and income which would be incurred by the local dairy industry. More specifically, if all of Hawaii's milk demand were to be supplied by mainland milk, the savings to consumers would total about $7.2 million, which would recirculate throughout the economy as over $11 million of disposable income. In comparison, the loss to the economy from the complete termination of the dairy industry would be about 1,900 jobs and $33 million in household income.

These findings are difficult to interpret since the analysis is based on a worst-case scenario in which mainland milk producers completely capture the local milk market, an unlikely prospect. Also, the calculation assumes that dairy employees laid off because of the loss of sales would not be reemployed in other sectors of the State's economy. Still, the analysis is informative in its finding that the Hawaiian economy may indeed be hurt by the loss of milk sales to mainland producers. How much will depend on factors such as the degree to which imported milk captures the local market, the ease with which labor and capital displaced by the sale of imported milk can be shifted to other activities, and the progress that can be achieved in lowering the high costs of Hawaii's dairy production and further boosting the productivity of the industry.

ECONOMIC INDICATORS

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The Potential For Hawaii's Aquaculture Industry

One of the State's major strategies for economic diversification is the development of the aquaculture industry in Hawaii. According to the recently released report of the Governor's Aquaculture Industry Development Committee, the potential for aquaculture development in the Islands is strong. However, realization of this potential will require both prompt action and long-term cooperative commitment by the public and private sectors.

The report summarizes the current status of the industry, and notes that, despite occasional setbacks, aquaculture has experienced promising growth. Forty-three commercial aquaculture firms reached $2.6 million in wholesale revenues in 1982, but fell back to $1.6 million in 1983. Research, training, and technology-related projects, valued at $3.6 million in project value (exclusive of state funds) in 1982, rose to $5.6 million in 1983.

At present, aquaculture development in Hawaii enjoys a worldwide reputation due to excellent research and effective international consulting. However, several key issues in aquaculture need to be addressed, including: (1) Management; (2) Technology and Knowledge; (3) Marketing and Economics; (4) Water and Land; and (5) Government Activities.

In the area of management, the report recommends that management skills be upgraded and management information be increased by expanding extension capabilities and programs in general business management for aquafarmers, as well as developing more practical farm management tools, and organizing a statewide aquaculture association.

To maximize the impact of limited financial resources, the report recommends that industry-development programs emphasize marine species with strong market potential (e.g. marine shrimp, red tilapia, and freshwater prawns), the development of commercial-scale, not subsistence-level, activities, and the development of medium- and high-intensity commercial operations with selected use of Hawaiian fishponds. The report also recommends that inventory control and harvesting technology be improved, as well as management techniques for Hawaiian fishponds. Other recommendations include the development of new sources of stocking material, and the establishment of a virus-free marine shrimp broodstock. Further, Hawaii's movement towards becoming a world center for aquaculture research could be accelerated by holding workshops, and by establishing a large-scale aquaculture research, education, training, and demonstration facility.

The report then considers marketing, the availability of investment capital, and the cost of doing business: three crucial issues in commercial aquaculture. In terms of marketing, one major constraint to market expansion is inconsistent, unpredictable production. Recommendations to improve productivity include forming a marketing cooperative, while adjusting farm operations to suit the needs of customers. Local and export markets could be developed by concentrating on import substitution, developing unique markets for local aquaculture products, and initiating joint State and private-sector promotional campaigns for aquaculture products.

Investment capital for aquaculture has been traditionally hard to obtain because of perceived limitations in the industry's track record, financial data, and supply of skilled labor. Recommendations include collecting necessary financial information, providing assistance to investors in securing high-risk capital, and improving the State Aquaculture Revolving Loan Fund.

The Committee also addresssed factors leading to the industry's high operating costs. Recommendations include reducing government red-tape, reducing the cost of the Workers' Compensation Program, and lowering production costs and raising farm yields.

Regarding water and land resource issues, the Committee saw the need to accommodate aquaculture in water resource planning and management, and to emphasize the recycling and multiple use of fresh water in aquaculture. Hawaii's brackish and saltwater aquifers could also be beneficially utilized by accepting aquaculture as a permitted use. Suitable sites could also be made available, possibly through a statewide aquaculture park program.

In the area of government policies, communication and coordination between the industry and all levels of government could be improved by providing a forum, such as an industry council, to discuss currrent development issues. Government could also assist by working to reduce the industry's start-up costs through the use of tax and other forms of investment incentives. The State Aquaculture Development Plan should also be updated.

The report concludes that the aquaculture industry can readily exploit Hawaii's advantages by sustaining a wide range of production levels and producing a variety of products and services. The industry can also utilize abundant Island resources such as brackish and salt water, and agricultural wastes and lava lands. If existing constraints are successfully handled and sufficient investment capital secured, commercial aquaculture production could top $50 million a year, and research activity attract over $10 million a year by 1990. However, realizing this potential depends on the willingness and ability of decisionmakers in government, business, and labor to tackle the problems that now confront the industry.